



ISLAND WASTE MANAGEMENT CORPORATION

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Charlottetown, PE
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November 29, 2012

Mr. Chris Snively
Facility Manager
ADI International (PEI) Inc.
1058 Route 226
Brookfield PE
COA 1Y0

RE: Extension of Original Operating Agreement dated April 1, 2008

In reference to your correspondence dated June 19th, June 20th, and November 15th, 2012, we understand that ADI has acquired the land building and other assets of Meadow Fresh Mushrooms Inc. effective November 13, 2012.

Please be advised that based on this acquisition, Island Waste Management Corporation is prepared to extend the existing Operating Agreement between ADI SYSTEMS INC. and Island Waste Management Corporation dated April 1, 2008 (and subsequently extended to March 31, 2014) for an additional term of TEN years .

It is understood that this is an extension of the original agreement for an additional term of TEN YEARS to commence on April 1, 2014 and terminate March 31, 2024. The Annual Base Fee and Excess Tonnage Fee are limited to a 2% increase per year as outlined in the following Fee Schedule.

Term	Annual Base Fee	Excess Tonnage Fee
April 1, 2014 - March 31, 2015	\$1,986,550.00	\$43.92
April 1, 2015 - March 31, 2016	\$2,026,281.00	\$44.80
April 1, 2016 - March 31, 2017	\$2,066,807.00	\$45.69
April 1, 2017 - March 31, 2018	\$2,108,143.00	\$46.61
April 1, 2018 - March 31, 2019	\$2,150,306.00	\$47.54
April 1, 2019 - March 31, 2020	\$2,193,312.00	\$48.49
April 1, 2020 - March 31, 2021	\$2,237,178.00	\$49.46
April 1, 2021 - March 31, 2022	\$2,281,921.00	\$50.45
April 1, 2022 - March 31, 2023	\$2,327,560.00	\$51.46
April 1, 2023 - March 31, 2024	\$2,374,110.00	\$52.49

All other terms and conditions in the original agreement dated April 1, 2008 and any subsequent amendments will remain in effect. In addition, should ADI cease to operate or have no equity position in the mushroom facility at any time during the TEN year extension period, IWMC reserves the right to terminate the Central Composting Facility Operating Agreement at any time.

IN WITNESS WHEREOF the parties have caused this extension to be signed by their duly authorized agents on the 29th day of November 2012.

SIGNED SEALED AND DELIVERED)

STBradley

Witness

ISLAND WASTE MANAGEMENT CORPORATION

Per: J Moore

SIGNED SEALED AND DELIVERED)

Anne MacArthur

Witness

ADI SYSTEMS INC.

Per: [Signature]

This Operating Agreement dated the 1st day of *April* 2008.

BETWEEN:

ISLAND WASTE MANAGEMENT CORPORATION,
(hereinafter called "The Owner")

OF THE FIRST PART

AND:

ADI SYSTEMS INC
(hereinafter called "The Operator")

OF THE SECOND PART

WHEREAS the Owner is a body corporate, duly incorporated under the laws of the Province of Prince Edward Island;

AND WHEREAS the Owner is committed to the concept of safe and efficient management of waste for the Province of Prince Edward Island;

AND WHEREAS on the 19th day of November 2007, the Owner did issue a Request for Proposals for the operation of the Central Compost Facility located in Brookfield, PEI;

AND WHEREAS the parties are desirous of entering into a comprehensive operating agreement;

NOW THEREFORE in consideration of the sum of Five Dollars (\$5.00) and such other good and valuable consideration as hereinafter set out, the parties covenant and agree as follows:

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3. In the opinion of the Owner's and the Operator' Representatives the material will be deleterious to the compost process or compost product.

The basic components of Biowaste are listed in Table 1.

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Basic Components of Biowaste (List Not Inclusive)			
Miscellaneous (continued)	gravies and sauces	Yard Debris (continued)	tree trimmings
	kitty litter		vegetable and root debris
	sawdust and wood shavings		hedge clippings
	animal & human hair		grass clippings
	biosolids (i.e. sewage sludge)		leaves
	slaughter house solid waste		house and garden debris
			Christmas trees
			tree trunk/stumps up to 15 inches in diameter
Non-Recyclable Paper	napkins/serviettes		
	paper plates and cups		
	paper towels/tissues		
	paper bags		
	boxboard (no plastic or metals)		
	waxed corrugated cardboard		
	freezer paper		
	wax paper		
	damp/soiled/newspaper cardboard		

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Table 2

Generic Types of Contaminating Constituents (List Not Inclusive)	
Textiles	Ceramics
Manufactured Wood Products	Plastic Film
Leather	Plastic Containers
Glass	Batteries
Foam	Frozen Food Boxes with Plastic Liners
Fibre/Plastic Composites	
Metals	

- (m) "RFP" - Request for Proposals for the operation of the Island Waste Management Corporation Central Compost Facility prepared by Island Waste Management Corporation, November 2007 and all addenda;
- (n) "Operator" - The company selected by Island Waste Management Corporation to operate the Central Compost Facility.

2. The parties agree that words not hereinbefore defined shall have the same meaning as set out in the RFP. All terms and conditions in the RFP imposing obligations on the Operator and/or Owner with respect to operation of the Compost Facility shall remain in full force and effect and are incorporated by reference herein. To the extent that the RFP and the Agreement are inconsistent, the terms of the Agreement shall prevail. In carrying out their obligations under this Agreement, the Operator and Owner shall at all times act in a reasonable manner.

3. **TERM.**

The term of this Agreement shall be three years commencing on April 1st, 2008 and concluding on March 31, 2011. The three-year term is defined as:

Year 1 – April 1, 2008 to March 31, 2009

Year 2 – April 1, 2009 to March 31, 2010

Year 3 – April 1, 2010 to March 31, 2011

It is the intention of IWMC to enter into negotiations with the operator in October 2010 for a second three-year term. The negotiation period shall commence on or before October 1, 2010 and shall be completed by November 30, 2010.

of the total annual volume of incoming feedstock (by weight). The Operator will be back charged a fee equal to 110% of the per tonne Base Fee for Guaranteed Feedstock Quantities for the disposal of waste which is greater than 10% of the total annual volume of incoming feedstock (by weight). The intent of this is for the successful Proponent to recover and process as much organic material as possible. Wastes removed from the facility shall be disposed of in a manner and location approved by IWMC. Transportation costs for the removal of this material shall be the sole responsibility of the operator.

d) Basis of Payment to the Operator

The owner shall for each full calendar month of operations pay to the Operator, at each month end, the applicable monthly base fee as set out in 1(a). The Owner shall also pay to the Operator an amount for processing excess tonnage as determined from formulae and schedules set out in Appendix "A". The payment of excess tonnage over 24,500 tonnes will be paid annually based on volumes from April 1st to March 31st of each year unless the year-to-date volumes clearly indicate the annual volume will be in excess of 24, 500 tonnes in which case IWMC may pay the excess amount prior to year end.

- 1) Notwithstanding the method used to facilitate monthly payments to the Operator of the base and yearly excess tonnage fees, the owner shall, at the end of each operating year, prepare an Annual Statement of base and excess tonnage fees. The owner, in preparing the Statement, will use the format as set out in Appendix "C", and shall forward the results to the Operator within forty-five (45) days of each operating year end together with any payment owing.
- 2) The Owner will pay the Operator, in addition to the base fee otherwise determined hereunder, a surcharge one and one-half (1½) times the base fee per tonne for any loads of biowaste that are processed but which do not, as determined by the Owner, meet the specification for acceptable biowaste as defined in the definition of biowaste. Payment shall be made monthly in accordance with the terms of 4(d) herein.
- 3) The Owner has the right to offset any amount owed to it by the Operator under this Operating Agreement.

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Table 3

WEIGHING RECORD INFORMATION

The following Weighing Record Information shall be recorded by Island Waste Management Corporation:

1. Date
2. Entry Time
3. Departure
4. Facility Name
5. Customer Name
6. Transaction Number
7. Vehicle Identification or license
8. Material Source
9. Material Type
10. Gross weight (kilograms)
11. Tare weight (kilograms)
12. Net weight (kilograms)
13. Personnel Identification

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- 1) Year End Reports (as per section 4.14 of the November 2007, RFP, Operation of the Central Compost Facility, Brookfield, PEI, Canada). The Owner shall have the right to use these reports for future RFP's for the operations of the Central Compost Facility to provide the Proponents with historical information, including costs, for the repairs and maintenance of the Central Compost Facility.
- 2) The Operator shall provide to the Owner annual, externally reviewed, financial statements within 90 days following the completion of each operating year as set out in this Agreement. The statements shall include a detailed income and expenditure statement for this Compost Facility. The parties agree that the financial statements are confidential and the Owner shall not share or circulate the financial statements to any person other than its own auditor.

f) Access by Owner

Representatives of the Owner shall have the right to attend at and inspect the Compost Facility at any time. Except in the case of emergencies, the Owner will complete such attendance or inspections in the presence of a representative of the Operator and will, except in unusual circumstances, have contacted the facility manager or representative prior to arrival. The Owner shall have free and uninterrupted access to the weigh scale station at all times.

- 1) In the event invitees of the Operator visit the Compost Facility, the Operator shall provide for sufficient personnel at its own expense to ensure that the visits are orderly and safe for the invitees.
- 2) In the event invitees of the Owner visit the Compost Facility, the Owner shall provide sufficient notice to the Operator and shall ensure, in prior consultation with the Operator, that sufficient personnel are available so that the visits are orderly, safe and educational for the visitors.
- 3) It is agreed that the Operator shall have full authority to control the compost facility and surrounding site, subject to the Owner's rights as set out herein.

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business day. If a complaint is received by the Owner, it shall immediately notify the Operator by telephone and confirm same in writing that same business day. The complaint shall be logged by both parties. Subject to paragraph 5(i).6 of this section, the Operator has the primary responsibility to immediately investigate the complaint to determine its validity. All parties shall work together to determine the validity of the complaint. In the event that the investigation is not conducted to the satisfaction of the Owner, the Owner may require the Operator to follow investigative procedures supplied by it, provided such procedures do not vary significantly from the requirements of the RFP, For Design-Build-Operate Services, prepared by James C. Johnson Associates Inc, February, 2001

- 6) If, following investigation, the Owner, in its sole discretion, determines that the complaint is valid in accordance with Section 2600 of the RFP, For Design-Build-Operate Services, prepared by James C. Johnson Associates Inc, February 2001 and that the Compost Facility is the probable cause of the complaint, the Owner shall declare the complaint a "Confirmed Odour Complaint". For Confirmed Odour Complaints, the Operator shall determine the specific source and cause of the odour problem within the Compost Facility and shall have it corrected forthwith and, without delay, at the Operator's sole expense. For greater clarity, the exclusions set out in Section 2600 (1.4) of the RFP, For Design-Build-Operate Services, prepared by James C. Johnson Associates Inc, February 2001 shall not be considered a confirmed odour complaint under this section.

j) Enforcement Action for Multiple Confirmed Odour Complaints

- 1) For the purposes of enforcement, all Confirmed Odour Complaints occurring on a given day and determined to be from the same source; shall be deemed to be a single Confirmed Odour Complaint.
- 2) In year one of the Operating Agreement, if there are more than six (6) confirmed odour complaints, the Operator shall pay to the Owner the sum of Five Thousand Dollars (\$5,000.00), as liquidated damages and not as a penalty, for each additional confirmed odour complaint.

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6.0 NOTICES

- m) The Operator shall notify the Owner, in writing, at least twelve (12) months before the completion of the term of this Operating Agreement if it wishes to extend the terms of this Agreement following its expiry. This notice and other notices shall be delivered as follows:

To the Owner: Island Waste Management Corporation
110 Watts Avenue
Charlottetown, PEI C1E 2C1
Tel. No. 902-894-0330
Fax No. 902-894-0331

To the Operator: ADI Systems Inc
1133 Regent Street
Fredericton, NB E3B 3Z2
Tel. No. 506-452-9000
Fax No. 506-459-3954

n) Early Termination

- 1) The Owner has the right, in its sole discretion, to terminate the Operating Agreement on three (3) month's written notice. At the end of the notice period and provided that the Operator has performed all obligations under the Operating Agreement, the Owner shall pay to the Operator a termination fee of Two Hundred Thousand Dollars (\$200,000.00), in addition to all other monies owing by the Owner to the Operator to the date of termination, in full and final settlement of all outstanding claims and the Operator shall execute a written full and final release to the Owner.

7.0 SECURITY

The Operator shall post, with the Owner prior to the commencement of the term, a Five Hundred Thousand Dollar (\$500,000.00) Performance Bond in a form acceptable to the Owner to ensure proper operation of the Compost Facility for the term of this Operating Agreement and any renewals thereof.

- 2) Include provisions that the insurers will not cancel or materially change the policy without ninety (90) days' prior written notice to IWMC.

Any review by IWMC or any party acting for or on behalf of IWMC of any insurance policy required by this Agreement shall in no way relieve the proponent of its obligations to provide the insurance referred to in this Agreement, nor shall it imply that IWMC agrees that the Proponent has fulfilled its obligations under this Agreement.

- b) Certified Copies of all insurance policies for the period of operation of the facility, or other forms of documentation acceptable in form and content to IWMC, must be delivered to IWMC prior to commencement of the term of this Agreement.
- c) At all times, the Proponent will ensure that all required insurance conforms to that which would reasonably be carried by a prudent operator of a comparable project assuming it was to be the sole operator for the term of this Agreement and any extensions thereof.
- d) The insurance policies required in 8(a) 1, 2, and 3, shall include IWMC as an Additional Insured with respect to the operation of the facility.
- e) IWMC shall, at its own expense, purchase and maintain in full force during the operating period the following insurances to protect itself and the Proponent, their successors and assigns:

All Risks of property damage to the facility building and all property owned by IWMC and Machinery Breakdown.

- f) At all times, IWMC will ensure that all required insurance conforms to that which would reasonably be carried by a prudent owner of a comparable project assuming it was to be the sole owner for the term of the Agreement.
- g) With respect to the insurance policy(ies) required in 8(e) 1, IWMC may, at its option, obtain insurance under the Provincial Government self insurance program, or may purchase insurance from the commercial insurance market.

9.0 **MARKETING OF COMPOST**

- a) The Operator shall be responsible for the handling and marketing of compost.
- b) If the Operator is unable to market finished unpackaged (or bulk) compost which cannot be stored inside the Compost Facility from time to time or any time during this Agreement, it shall be responsible to otherwise dispose of the compost at its

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b) In the event electrical rates change by more than the projected 2.5% annual rate increase during the term of the Operating Agreement, the parties shall be entitled to an annual payment adjustment. The adjustment shall be determined at the end of each operating year based on the formulae and schedule as set out in Appendix "B" and the amount so determined shall be paid to the applicable party within sixty (60) days of year end.

1) Diesel Adjustment

Maximum average consumer price for Diesel fuel as posted by the Island Regulatory and Appeals Commission (IRAC) as of November 9th, 2007 was listed at \$ 82.8 cents per litre. Should the average price for Diesel fuel over a period from April 1 to March 31 in any year of this agreement increase by more than 10% or go over \$91.1 cents per litre during the term of the contract (prices as posted by IRAC), IWMC will provide a fuel adjustment based on increased costs to the operator over this 10% increase. This adjustment will be based only on increased costs to the operator based on increased fuel cost only and will be calculated each April of the operating agreement and confirmed by the supplier.

2) Propane Adjustment

Commercial propane average price for over 70,000 litres was 58.7 cents per litre as posted by IRAC on November 9th, 2007. During the term of this agreement should the average cost for Propane increase by more than 10% over the period from April 1st to March 31 of any year (Prices as posted by IRAC) IWMC will provide a yearly propane adjustment based on the increased cost to the operator over 10%. This will be based on consumption numbers provided by the operator and confirmed by the supplier.

c) In the event that substantial approved changes take place in the design requirements of the compost facility, it is agreed by the parties to consider in good faith any decrease or increase in operating costs resulting from such changes and negotiate the net effect of such changes as it pertains to the operating fees.

- b) Either party may refer the matter to a respective executive office of its own choosing, who shall have full negotiation and settlement authority, by giving written notice ("Notice") to the other party. Within fifteen (15) days after delivery of the Notice, such executive officers shall meet at a mutually acceptable time and place to exchange relevant information and to attempt to resolve the dispute.

- c) If the parties are unable to resolve the dispute within 30 days after delivery of the Notice, the parties agree to participate in non-binding mediation as follows:
 - 1) A mediator will be selected by counsel for each party agreeing on a person to act as mediator. The parties' counsel, as well as the CEO's of each party (or person having full negotiation and settlement authority) and not more than two other participants from each party, will appear before the mediator at a time and place determined by the mediator, but not more than 60 days after delivery of the Notice. The fees of the mediator and other costs of mediation will be shared equally by the parties.

 - 2) Each party shall have 45 minutes to present a review of the issue and argument before the mediator. After each party's presentation, the other may present specific counter arguments not to exceed 10 minutes. The time periods in this paragraph shall not include time required to answer questions from the mediator or other party, provided that the mediator shall have authority to restrict obstructive questioning by either party.

 - 3) After both presentations, the executive officers may ask questions of the other side. After the presentations and question periods, the executive officers and their respective counsel may meet together to attempt to resolve the dispute, unless after the presentation and question periods, one or both parties believe it is not productive to go further.

 - 4) The duties of the mediator are to ensure that the time periods are adhered to and to ask questions and take other actions as to clarify issues and understanding between the parties. The mediator may also, but is not obligated to, offer solutions.

- d) The parties agree to participate in good faith in the dispute resolution proceedings described above. All negotiations pursuant to this Section are confidential and shall be treated as compromise and settlement negotiations for purposes of the

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- d) Any condoning, excusing or overlooking by either party hereto of any default, breach or non-observance by the other party at any time or times in respect of any covenant, proviso or condition herein contained shall not operate as a waiver of any rights hereunder in respect of any subsequent default, breach or non-observance.
- e) The Operator may not assign this Agreement without the express written consent of the Owner.
- f) Hold Harmless and Indemnity Agreement:
The Operator shall indemnify and hold harmless Island Waste Management Corporation, its agents, representatives and employees from and against all claims, demands, losses, costs, damages, actions, suits or proceedings of every nature and kind whatsoever arising out of or resulting from the performance of this Agreement (herein called "claims"), provided that any such claim is caused in whole or in part by any act, error or omission, including, but not limited to, those of negligence, of the Operator or anyone directly or indirectly employed by the Operator or anyone for whom the Operator may be liable.
- g) This Agreement shall enure to and be to the benefit of the parties hereto and their permitted assigns.

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APPENDIX "A"

**ISLAND WASTE MANAGEMENT CORPORATION
CALCULATION OF YEARLY PAYMENT FOR EXCESS TONNAGE**

	Year 1	Year 2	Year 3
(a) Total tonnage delivery - year to date (Y.T.D.)	_____	_____	_____
(b) Base tonnage -	24,500	24,500	24,500
(c) Excess Tonnage - (a - b)	_____	_____	_____
(d) Rate per Tonne (excess)	39.00	39.78	40.58
(e) Total annual adjustment- Yearly tonnage excess (cxd)	_____	_____	_____

Note (1): Payment of excess Tonnage will be paid yearly on total tonnage received at the facility.

Note (2): Payment of Excess Tonnage will be adjusted and paid for prior to year end should the year-to-date volumes clearly indicate that the minimum tonnage of 24,500 will be surpassed.

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APPENDIX "C"

ANNUAL STATEMENT OF BASE AND EXCESS FEES

(Pursuant to 4.4.3 of the Operating Agreement)

	Operating Year 1	Operating Year 2	Operating Year 3
(a) Total input biowaste delivered	_____	_____	_____
(b) Base tonnage	24,500	24,500	24,500
(c) Excess Tonnage (a - b)	_____	_____	_____
(d) Rate per Tonne (Note 1)	\$39.00	\$39.78	\$40.58
(e) Total Amount for Excess Tonnage (c x d)	\$ _____	\$ _____	\$ _____
(f) Annual base fee (Note 2)	\$1,764,000	\$1,799,280	\$1,835,266
(g) Total amount due operator (e + f)	\$ _____	\$ _____	\$ _____
(h) *Less applicable payments during Year (if applicable)	\$ _____	\$ _____	\$ _____
(i) Balance due - Note (3)	\$ _____	\$ _____	\$ _____

Note (1): Rates for years 1, 2, and 3 are \$39.00, \$39.78 and \$40.58 respectively.

Note (2): Annual fees Year 1, 2 and 3 are \$1,764,000; \$1,799,280 and \$1,835,266 respectively.

Note (3): If positive, the amount is paid by the Owner to the Operator. If negative, the amount is paid by the Operator to the Owner.

*Anytime during the operating year if it is clear that the minimum volume of 24,500 tonnes will be surpassed, the Operator may apply to IWMC for payment of excess tonnage.

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