

Memorandum

Re: HBOI Aquaculture Park & Aquaco Farms

4/25/2016

Michael Minton, HBOI Foundation President

Michael, thank you for the opportunity in discussing a potential partnership with Aquaco Farms and HBOI Foundation. We feel fortunate in the timing of discussions as we are prepared to move forward with the team, budget and plans to build a successful aquaculture facility. Having the potential to do so in partnership with HBOI provides an even greater emphasis on what we are seeking to accomplish and its importance in the industry. Likewise, it would be my belief that having a full-scale commercial grow out and hatchery operation(s) adjacent to the campus would provide tremendous opportunity for students, faculty and research programs. In addition, provide an opportunity to further expand the existing park and incubator program that exists today at HBOI.

Aquaco Farms would suggest the following be considered when entering into a potential LOI or MOU on the parcel in discussion. At this stage they are just suggestions for early discussions, but wanted to have a few points outlined:

- Aquaco Farms will fund and complete the site work necessary with the assistance of Crossroads Environmental and Toby Overdorf to include wetland mitigation, zoning & permitting on parcel # 140533300010006.
- Aquaco Farms will fund the site improvements necessary to commence build out.
- Aquaco Farms will help the Foundation manage the site and help recruit 2-3 other like-businesses to be permanently based within the HBOI aquaculture park. This will include:
 - Collecting agreed upon royalties from the tenants that pass on to the Foundation as an annuitized revenue source. Aquaco Farms would charge a small agreed upon sub-lease amount that would offset the cost of shared resources (source water, discharge, waste management, utilities etc).
 - Direct any communication from the Foundation or HBOI to the tenants of the aquaculture park and report on all updates to the Foundation on a quarterly basis or when requested. Aquaco Farms in essence acting as a central source for communications for all parties.

In addition to the build-out and management of the site, Aquaco Farms will also:

- Include a set number of HBOI students or graduates that will remain full time employees at

Aquaco Farms

- Include a minimum threshold for number of internship opportunities that will be available for HBOI students each semester / year
- Aquaco Farms will provide Pompano stock and seed to HBOI for any future grant work or studies.
- Aquaco Farms will share biological data on our water source and discharge monitoring with HBOI and the Foundation.
- Aquaco Farms will designate a portion of their facility towards the research and future studies of HBOI.

In exchange for the above terms, Aquaco Farms will compensate the Foundation via a royalty agreement based on percentage of the company's annual gross revenue. This figure should be parallel with what other agriculture parks have used in similar arrangements with consideration towards perhaps a tiered approach or set floor /ceiling on the revenue side. In addition, Aquaco Farms would also enter into a long-term triple net ground lease requiring a minimum of 20 yrs and preference towards 30 yr. If such terms could be reached, it would allow Aquaco Farms to outlay initial capital needed to develop the site as well as time needed in first 2-3 years to expand and scale our operations to approach a positive cash flow position. Open for discussion, but I would suggest looking at what our total land improvement cost would be and seeking a reimbursement through royalty discount or lease forgiveness until ROI achieved by Aquaco for the initial site improvements (well fields, site work, structures etc) as this will remain with the property in perpetuity.

As CEO and Founder of Aquaco Farms, I can share with you and the Foundation Board whatever information you wish to review and offer full transparency moving forward. There are also a number of future synergies I would wish to discuss that go beyond this and future documents. Items such as Specialized Pompano Feed research, vendor relations and buying power within the industry on equipment etc, local water quality studies, future joint grant efforts and much more. In addition, our ability to add to the already great talent level at HBOI. Our Chief Biologist, Dr. Nick Brown spent the last 13 years as Director for the Center of Cooperative Research Center (CCAR) @ the University of Maine. There he managed over several incubators & full scale commercial operations.

A more accurate time line can be provided, but my initial feedback would say post agreement between all parties, we would allow for 30-60 day due diligence period on the property and then commence with site work, permitting, etc. Total build out time for our operations would be under 5-6 months and anticipate permitting by the County, State and DEP to take similar timing.

Thank you for your time spent on this matter and I look forward to the opportunity to further discuss this matter.

Best regards,

Joe Cardenas, CEO
Aquaco, LLC