

## TERM SHEET

Between

THE BOARD OF TRUSTEES OF THE URBANA & CHAMPAIGN  
SANITARY DISTRICT OF CHAMPAIGN COUNTY, ILLINOIS

and

CRONUS CHEMICALS, LLC  
regarding the development of  
a fertilizer plant in Douglas County, Illinois

This Term Sheet, dated \_\_\_\_\_, 2013, sets forth the mutual understandings of the Urbana & Champaign Sanitary District (the "District"), a duly authorized sanitary district established pursuant to the Sanitary District Act of 1917 (the "Act"), and Cronus Chemicals, LLC ("Cronus"), a Delaware limited liability company with its primary offices located at 150 N. Michigan Ave. in Chicago, Illinois, relating to the Project (as defined below). This Term Sheet also serves as a binding agreement to the extent set forth under "Binding Agreement" below.

WHEREAS, Cronus was formed for the purpose of developing an approximately \$1 billion fertilizer plant, producing primarily urea and some ammonia, in the upper Midwest region of the United States;

WHEREAS, Cronus is considering developing a fertilizer plant at a site in Douglas County, Illinois (the "Project"), it also has the option of developing a site in Mitchell County, Iowa, among others;

WHEREAS, Cronus is seeking to procure water from the District for industrial use by the Project;

WHEREAS, pursuant to Section 7 of the Act, the Board of Trustees of the District has the ability to enter into an agreement (the "Effluent Agreement"), not-to-exceed twenty (20) years, to sell, convey, or disburse treated wastewater to any public or private entity located within or outside of the boundaries of the District (70 ILCS 2405/7); and

WHEREAS, in an effort to support the development of the Project and to create a new revenue stream, among other factors, the District wishes to sell 6.3 million gallons per day ("MGD") of treated waste water (hereinafter referred to as "Effluent") to Cronus for use by the Project.

### Mutual Understandings

1. Except as described in Paragraph 2, the District will sell, and Cronus will purchase, **6.3 MGD (typical flow)** of Effluent for **20 years (if conditions allow, Effluent sales could rise above typical flow and, in that event, the excess flow will be made available to Cronus on the same terms and conditions as set forth in Paragraph 6 below)**;

2. **In times of drought, Effluent sales to Cronus may be curtailed by the District** (to maintain minimum discharge flows to local waterways) to a level of 5.5 MGD and possibly as low as 4.3 MGD during periods of persistent, severe and sustained drought, under no circumstances will Effluent flows drop below 4.3 MGD other than an event of force majeure or requirements of laws and permits with which the District must comply;
3. **The District will direct the use of Effluent in the lagoon** described below and may reduce or eliminate a curtailment by using the Effluent to provide flows to the creek or to Cronus.
4. The quality of the Effluent will be comparable to the District's standard for effluent discharged to the creek and there will be **no other express or implied warranties** as to its quality;
5. A fixed capital recovery fee of **\$0.30 per thousand gallons** (the "Capital Recovery Fee") will apply to Effluent sales to Cronus until it terminates pursuant to Paragraph 16;
6. During periods of typical flow, at least 5.5 MGD and above, the price for Effluent will be **\$1.00 per thousand gallons** in addition to the Capital Recovery Fee, if applicable, and Cronus will have a take-or-pay obligation for 5.5 MGD, averaged over a 12-month period, at that price;
7. During periods of curtailed flow, below 5.5 MGD, the price for Effluent will be \$.50 per thousand gallons in addition to the Capital Recovery Fee, if applicable;
8. During periods of extremely curtailed flow, below 4.3 MGD, the price for Effluent will be \$.25 per thousand gallons in addition to the Capital Recovery Fee, if applicable;
9. The amounts set forth in Paragraphs 6, 7 and 8 will be subject to annual escalation based on positive changes in the Producer Price Index, using the month in which the fertilizer plant's commercial operation date occurs as the basis for the calculation;
10. Cronus will contract with another supplier to provide water during periods of curtailed and/or low flow;
11. Cronus will construct a pipeline to the District's Southwest Treatment Plant in Champaign County to receive the Effluent;
12. Upon completion, the District will assume the responsibility to operate and maintain the Effluent pipeline from the Southwest Treatment Plant to the Champaign County line, with Cronus to reimburse the District for any major necessary repairs;
13. The District will design, construct and maintain any necessary pumping and/or wastewater storage facilities necessary to operate the pipeline and/or maintain Effluent

flow to Cronus, this will include electricity and other associated costs with operating such systems;

14. The District will construct and maintain a lagoon storage system on its property to maintain typical flow, to the extent possible, during periods of low precipitation;
15. The Project construction schedule will be mutually agreeable to the parties;
16. Cronus will provide a guarantee to the District, via the posting of a **letter of credit** or other acceptable security **in the amount of \$10 million**, that the District will be compensated for all Cronus related capital costs; the amount of the **letter of credit will be reduced periodically by an amount equal to one dollar for each thousand gallons** of water delivered to Cronus and, when the security is reduced to zero, Cronus will retire the security and the Capital Recovery Fee will terminate;
17. **Cronus will not sell** or otherwise allow third parties to use **Effluent** sold to it by the District without prior written authorization by the District to do so;
18. With the exception of providing the necessary minimum flow to area waterways (1.5 MGD to the Copper Slough and 4.5 MGD to the Saline Branch of the Salt Fork River), which are the District's first priorities, the District will not sell or make other arrangements to transfer Effluent to a third-party that would in any way interfere with providing flow to Cronus;
19. At any time that the water flow exceeds the amounts required to be provided to the Copper Slough and the Saline Branch of the Salt River and the 6.3 MGD to be provided to Cronus, the District will use the excess to replenish the lagoons;
20. The Effluent Agreement will include:
  - (a) conditions precedent to parties' rights and obligations, including but not limited to:
    - Cronus and the District obtaining financing;
    - The District obtaining an IEPA permit for the modifications to its system;
    - Cronus obtaining needed right-of-way and all permits necessary to begin construction of the Project;
    - Cronus delivering the guarantee or other security described in Paragraph 16;
  - (b) a deadline by which the conditions precedent must be satisfied or waived; and
  - (c) customary insurance and indemnification provisions.

### **Binding Agreements**

In consideration of the mutual understandings set forth above and intending to be legally bound, the District and Cronus agree as follows:

- A. The mutual understandings set forth above are not legally binding.
- B. The District and Cronus will work and negotiate in good faith in an effort to complete a final Effluent Agreement.
- C. After advance consultation and agreement between the parties, Cronus will pay the reasonable fees and expenses of the District's consultants and attorneys as they are incurred and, if this Term Sheet expires without the parties having entered into an Effluent Agreement, the costs incurred by the District for a preliminary engineering study, payable within 30 days following such expiration.
- D. Either party may terminate this Term Sheet by notice to the other if (i) no Effluent Agreement has been entered into within one year of the date of this letter agreement or (ii) negotiations to enter into an Effluent Agreement have reached an impasse and such party concludes that efforts to enter into an Effluent Agreement will not be successful within such one-year period. Neither party will have any liability to the other upon such termination.
- E. This Term Sheet is governed by the laws of the State of Illinois.

The Board of Trustees of the  
Urbana & Champaign Sanitary District:

Cronus Chemicals, LLC:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Board President  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Principal  
Date: \_\_\_\_\_

Attest: \_\_\_\_\_  
Secretary

Attest: \_\_\_\_\_  
Secretary