

COMMERCIALIZATION OF BIOREFINERY INITIATIVE IN PUERTO RICO

MEMORANDUM OF UNDERSTANDING

This memorandum is effective as of January 25, 2008 and summarizes the general terms of understanding between Sustainable AgroBiotech, LLC [SABI] and the University of Puerto Rico - Mayaguez (UPR-M) related to a mutually agreed upon extension of Collaborative Research and Development Agreement (CRADA) executed by and between UPR-M and Sustainable Cellulosics, Inc., the U.S. affiliate of SABI.

SABI and UPR-M desire to continue working together to commercialize an integrated "biorefinery initiative" that produces biofuels and other high value products from sustainable, precision agriculture, fermentation and carbon dioxide recycling for the benefit of Puerto Rico. The parties agree that an expansion of the existing collaboration pursuant to the general outline summarized here will advance the technologies developed at UPR-M and will provide commercial benefits to SABI through the grant of additional exclusive licenses to new technologies developed hereunder for the commercialization of "Biorefinery Concept", provided that UPR Patents, Inventions and their Commercialization Policy procedures are followed.

Biorefinery Concept as used here is substantially as defined by the National Renewable Energy Laboratory - "a facility that integrates biomass conversion processes and equipment to produce fuels, powers, or chemicals from biomass".

SABI desires to use and UPR-M is willing to make available the former aquaculture facilities and land space located at the Agriculture Experimental Station in Lajas and provide general maintenance and other infrastructure support as its in-kind contribution to the collaborative program contemplated here.

UPR-M and SABI hereby agree that unless otherwise agreed upon UPR-M will assign Dr. Govind Nadathur as the individual responsible for managing the facility for the benefit of UPR-M and SABI.

SABI agrees to be responsible for funding and conduct of all mutually agreed upon technical work, including personnel, utilities and specialized equipment needed to reasonably conduct the mutually agreed upon project(s) that may be changed from time to time by mutual agreement. Current project(s) agreed upon by the parties are generally described in the attached Progress Report. Licenses to technologies developed as a result of performance of the projects will be licensed to SABI (including its U.S. affiliate) on the same terms as in the Technology License Agreement executed between UPR-M and SCI as of April 13, 2007, and in accordance to the UPR Patent, Inventions and their Commercialization Policy.

The parties agree to cooperate in writing and submission of federal, state and other grant support programs for funds for mutually agreed upon projects.

In conducting the projects contemplated here, SABI agrees to abide by all applicable guidelines and policies of UPR-M and maintain the facility in good working condition. SABI further agrees that it will make the facility reasonably available for research projects of other UPR-M faculty upon request by UPR-M.

The parties contemplate that successful progress in the projects described here, the collaboration will be further extended to form a business partnership with the objective to build a "biorefinery

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demonstration plant" with an annual production capacity of about 2-3 million gallons of bioethanol, 100 - 200 kilogram of hibiscus blossoms for nutritional supplement, about 0.5 million gallons of biodiesel and other mutually agreed upon specialty chemicals. The formation and operation of the partnership contemplated here shall be the subject of a future agreement with mutually agreed upon terms and conditions. The general mission and scope of the partnership is attached here as Exhibit 1.

The parties agree and understand that this serves as a general understanding of collaboration and that customary terms and conditions for the performance of this agreement shall be negotiated in good faith and executed at a later date.

SUSTAINABLE AGROBIOTECH, LLC


X: 

Dr. Arup Sen

Date: 01/25/08

City: Mayaguez

UNIVERSITY OF PUERTO RICO
AT MAYAGUEZ CAMPUS

X: 

Professor Jorge I. Vélez Arocho, PhD,

UPRM Chancellor

Date: Jan 25, 2008

City: Mayaguez, P.R.