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August 23, 2013

The Honorable Ed Braddy and
The City Commissioners of the City of Gainesville
P.O. Box 490, Station 19
Gainesville, Florida 32627-0490

Mr. Robert Hunzinger
General Manager
Gainesville Regional Utilities
301 S.E. 4th Avenue
Gainesville, FL 32614-7117

Dear Mayor Braddy, City Commissioners, and Mr. Hunzinger:

I am writing to inform you that Gainesville Renewable Energy Center ("GREC") has today voluntarily withdrawn, with prejudice, our counterclaim against GRU in the arbitration between GRU and GREC. Attached is a copy of GREC's notice of dismissal. Effective immediately, the arbitration between GRU and GREC is over.

This has been a long and difficult period for all parties. Resolving disputes through the legal process is a time consuming, emotional and absurdly expensive ordeal. We are pleased to put this matter behind us and look to the future. Our goal from the beginning has been to build a state-of-the-art biomass facility that provides reliable renewable energy, jobs and economic stimulus to the Gainesville area. With plant construction now approaching completion, we are very close to accomplishing this goal.

As I described to the Commission earlier this week, GREC is seeking to complete a transaction that will allow the project to benefit fully from the federal tax incentives for renewable energy. All parties understood from the beginning the importance of realizing the benefit of such tax attributes. With the cloud of arbitration removed, there is a small window of opportunity to complete such a transaction.

Also as I explained at the last Commission meeting, in order to realize the tax attributes, GREC needs to pursue either a tax equity transaction or an outright sale of the facility or of all of the interests in GREC to a buyer that can utilize the tax attributes. Under IRS regulations, either of these transactions must be completed before the plant reaches "substantial completion" under the construction contract. Thus, GREC is facing an incredibly tight timeframe to complete a

transaction. To commence such process, GREC is providing notice to GRU of its intent to effect such a transaction.

In order to provide GREC with any chance of completing a transaction prior to substantial completion, GREC respectfully requests the cooperation of the City Commission and GRU. GREC is not seeking a complicated agreement or changes to the PPA. Rather, GREC is simply seeking two things from GRU that will help facilitate a transaction.

Specifically, GREC requests that GRU (a) suspend its ROFO rights under Section 27.3 of the PPA for a period of 120 days, and (b) provide its consent to the sale of all interests in GREC to a purchaser under Section 21.1 of the PPA during such 120 days, so long as the purchaser is an affiliate of one of the top ten largest by market capitalization regulated utilities in the United States. Under Section 21.1, GRU's consent cannot be "unreasonably withheld or delayed." In essence, GRU would simply be acknowledging that the transaction with such a large, well-qualified buyer is de facto "reasonable" in order to enable us to capture the tax benefits that both parties contemplated.

There is no assurance that GREC will be able to complete a transaction in the next 120 days -- all we are respectfully seeking is GRU's cooperation to allow us to try. In consideration for GRU's cooperation and consent, GREC is prepared to reimburse GRU for the legal bills paid to Orrick, Herrington & Sutcliffe during the arbitration if and when such a transaction closes. Time is truly of the essence. Your prompt response to this proposal would be greatly appreciated.

With the arbitration behind us, GREC seeks to repair and improve its relationship with the Commission and GRU. It is our sincere hope that this step by GREC will enable the parties to move forward.

Sincerely,



Jim Gordon
President