

April 25, 2016

VIA ELECTRONIC AND PRIORITY MAIL

Andrew C. Phelan
Siobhan E. Mee
Morgan, Lewis & Bockius LLP
One Federal Street
Boston, MA 02110-1726

**Re: Response to April 11, 2016 and April 18, 2016 Letters to Edward J. Bielarski, Jr.,
General Manager**

Dear Mr. Phelan and Ms. Mee:

We write on behalf of our client, the City of Gainesville, Florida d/b/a Gainesville Regional Utilities (“GRU”) in response to two letters from Jim Gordon of Gainesville Renewable Energy Center, LLC (“GREC”) dated April 11, 2016 and April 18, 2016 and addressed to Edward J. Bielarski, Jr., General Manager of GRU (the “April 11 Letter,” the “April 18 Letter,” and collectively the “Letters”). The Letters present unfounded allegations regarding GRU’s notice of a Seller Event of Default¹ sent on March 31, 2015 pursuant to section 4(c) of the Consent and Agreement (“Consent”) between GRU, GREC, and Union Bank N.A. as Collateral Agent (“Notice”). GRU respectfully denies the allegations presented in the Letters and declines to retract its Notice. We take this opportunity to address several of the Letters’ inaccuracies in order to clarify the record concerning the ongoing dispute between GRU and GREC. This initial response shall not limit GRU’s rights to take further actions regarding the Letters, and is provided with all of GRU’s rights expressly reserved.

First, the April 11 Letter incorrectly alleges that the Notice contains “statements unsupported by fact or the PPA,” “material mischaracterizations,” and “a baseless allegation of a Seller Event of Default.” This is not true. The PPA requires GREC to conduct maintenance at the Facility each year to ensure the Facility’s reliable long-term and safe operation (defined in the PPA as “Planned Maintenance”). GREC is in default under Section 10.4.1 of the PPA due to (i) GREC’s unilateral cancellation of the written annual maintenance plan that was agreed to in June 2015, which provided for GREC to perform Planned Maintenance at the Facility as required by the PPA during the period from April 9th through April 29th 2016, and (ii) GREC’s stated refusal to perform Planned Maintenance in 2016. Because GREC failed to cure this default within the time specified in Section 25.1.1 of the PPA, a Seller Event of Default has occurred and is presently

¹ Except as otherwise specified herein, initially capitalized terms in this response have the meanings assigned in the Power Purchase Agreement for the Supply of Dependable Capacity, Energy and Environmental Attributes from a Biomass-Fired Power Production Facility between GRU and GREC (“PPA”).

continuing. GRU is entitled to exercise its rights and remedies under the PPA, and is presently pursuing those through the pending arbitration.

Second, the Letters assert that GRU is making an “irresponsible” and “pre-textual” effort to terminate the PPA, but this is also not accurate. Under the PPA and applicable law, GRU’s remedies in respect of GREC’s material breach and Seller Event of Default clearly include the right to terminate the PPA. GRU’s statements that it intends to pursue all available remedies, including termination, are consistent with the PPA and applicable law.

Third, the April 11 Letter wrongly accuses GRU of attempting “to interfere with GREC’s lending relationships and with GREC’s ability to refinance the project loans.” To the contrary, GRU merely complied with its contractual obligations under the Consent. Once GRU notified GREC of GREC’s material breach and Seller Event of Default under the PPA, GRU was required by the Consent to provide the Notice to the Collateral Agent. The Consent also states that GRU must afford the Collateral Agent or its designee an opportunity to cure the Seller Event of Default before exercising GRU’s right of termination. The Notice appropriately referenced that requirement. GRU provided the Notice in accordance with the plain terms of the Consent and not for any improper purpose.

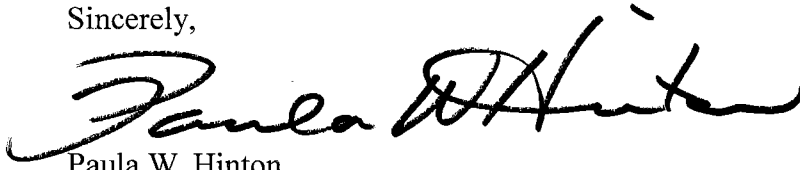
Fourth, the April 11 Letter alleges that GRU has acted in bad faith by claiming that “[t]here simply is no good faith basis for GRU to threaten termination of the PPA.” This also is not accurate. GRU is exercising its rights in response to GREC’s unilateral cancellation of the written annual maintenance plan agreed to in June 2015 and GREC’s stated refusal to perform Planned Maintenance in 2016. GREC’s actions constitute a material breach and a Seller Event of Default, and GRU provided Notice of the same to the Collateral Agent pursuant to the plain terms of the Consent. These actions were not taken in bad faith, but rather reflect GRU’s continued adherence to its contractual duties.

Fifth, the April 11 Letter accuses GRU of mischaracterizing GREC’s statements, and asserts that GREC has conducted or will conduct “all requisite preventative maintenance” at the Facility. GREC’s statements regarding unidentified “maintenance” further confirm that GREC is not complying with the PPA’s requirement for annual Planned Maintenance, which has a specified meaning. GREC’s statements regarding ongoing and unannounced maintenance work also raise serious concerns regarding the Facility’s actual availability and capability to produce Energy while the unannounced work was or is being conducted. GRU intends to investigate this matter further and reserves its rights to dispute invoices and withhold payment for any such Billing Periods at issue.

Finally, both Letters incorrectly assert that GRU is liable for GREC’s “financial damages” associated with its refinancing efforts. Any financial harm suffered by GREC is the direct result of GREC’s material breach of the PPA, and as such, GRU denies that it may properly be held responsible for the foreseeable results of GREC’s actions. Further, GREC’s statements are contrary to Article 26 of the PPA and its clear limitation of liability.

For these reasons and those set forth in GRU's Response and Counterclaims to GREC Arbitration Demand, GRU will not retract its Notice.

Sincerely,

A handwritten signature in black ink, appearing to read "Paula W. Hinton". The signature is fluid and cursive, with the first name being the most prominent.

Paula W. Hinton

cc: Nicolle Shalley, City Attorney, Gainesville, Florida
Shayla McNeill, Utilities Attorney, GRU
Lisa Cottle, Winston & Strawn