

Honorable Mayor and City Commissioners:

Please find attached the Offer Letter to purchase the 100 MW(net) biomass-fired power production facility.

This non-binding indicative offer was submitted as approved by the City Commission at the October 17, 2013 City Commission meeting. As you know, the Offer Letter had to be submitted by October 22, 2013 to be considered timely. Though the approved minutes of the October 17, 2013 City Commission meeting are not yet complete, the Clerk's Office has provided draft minutes that include a City Commission action to authorize the submission of the attached offer letter.

In accordance with the PPA, the attached Offer Letter has been faxed and as a courtesy sent electronically to representatives of Gainesville Renewable Energy Center, LLC. The second attachment is the email transmitting the Offer Letter.

I have worked with the City Attorney to ensure that the Offer Letter referenced above is substantially in the form provided as backup for the 10/17/13 City Commission meeting.

If I can provide any additional information, please contact me.

Respectfully submitted,

David Richardson
Interim Chief Financial Officer
Gainesville Regional Utilities

Office (352) 393-1312
Mobile (352) 281-0644

October 21, 2013

Gainesville Renewable Energy Center, LLC
Attention: James Gordon, President
20 Park Place, Suite 320
Boston, MA 02116

Dear Mr. Gordon:

Reference is made to your letter of August 23, 2013 (“**ROFO Notice**”), pursuant to which Gainesville Renewable Energy Center, LLC (“**GREC**”) gave notice to Gainesville Regional Utilities (“**GRU**”) of GREC’s intent to sell (either directly or indirectly) to a third party the 100 MW (net) biomass-fired power production facility currently under construction in Alachua County, Florida (the “**Facility**”). The ROFO Notice was delivered pursuant to Section 27.3 of the Power Purchase Agreement for the Supply of Dependable Capacity, Energy and Environmental Attributes from a Biomass-Fired Power Production Facility, dated April 29, 2009, between GREC and GRU (the “**PPA**”).

1. Terms of First Offer. This letter confirms the terms of GRU’s initial non-binding indicative offer (“**First Offer**”) in response to GREC’s ROFO Notice, and GRU’s desire to purchase the Facility and the Assets (as defined below) in accordance with the terms and conditions set forth herein.

Acquisition Structure: GRU will purchase from GREC the Facility and all assets and contracts held by GREC to own, operate and maintain the Facility (collectively, the “**Assets**”, and as further described below) on the Closing Date (as defined below) (the “**Acquisition**”).

Purchase Price: GRU is prepared to acquire the Facility for total cash consideration of four hundred million dollars (\$400,000,000.00) to be transferred in immediately available funds on the Closing Date, subject to customary due diligence and the other conditions set forth herein and in the Definitive Documentation (as defined below).

Sources of Financing: GRU intends to fund the Acquisition with debt issued by GRU. The Acquisition would be subject to GRU obtaining financing on commercially reasonable terms acceptable to GRU.

Definitive Documentation: The Acquisition is subject to the execution of mutually acceptable definitive documentation (the “**Definitive Documentation**”), including, without limitation, an asset purchase agreement (the “**Asset Purchase Agreement**”) that will contain customary (a) representations and warranties at the time of execution of the Asset

Purchase Agreement and at the Closing Date, (b) covenants, (c) conditions to closing transactions similar to the Acquisition, and (d) indemnities and rights of offset subject to mutually agreeable limitations and survival periods. Representations and warranties will survive the closing of the Acquisition for agreed periods.

Assets:

The Assets to be purchased by GRU will include, but are not limited to, all machinery, equipment, furniture, furnishings, tools, dies, molds and parts, other similar property related to the Facility; all inventories of fuel or raw materials, works in progress, finished products, goods, spare parts, replacement and component parts; all intellectual property rights; contracts (including fuel contracts and any ash disposal contracts), arrangements, licenses, leases and other agreements necessary for the operation, maintenance and ownership of the Facility designated as provided below (the "Assumed Contracts"); all development rights, permits, approvals, consents, licenses, governmental orders, property rights and titles, site leases, easements, title reports, interconnection agreements; any other data and reports related to the Facility; all guarantees, warranties, indemnities and similar rights; all books and records; and such other tangible and intangible property to be identified and agreed upon between GREC and GRU as part of GRU's due diligence.

Assumed Contracts:

As part of GRU's due diligence, GREC will provide and GRU will examine the contracts related to the Facility and identify those contracts that will be expressly assumed by GRU. GRU and GREC will enter into a mutually agreed upon assignment and assumption agreement to effectuate the assumption by GRU of obligations arising under the Assumed Contracts on and after the Closing Date.

Non-Assumed
Contracts:

GRU will have no responsibility for costs incurred by GREC related to terminating any contracts not assumed by GRU.

Due Diligence:

If GRU's First Offer is accepted by GREC, GRU and its advisors would expect to conduct customary due diligence that would include, but not be limited to, financial, tax, operational, environmental, regulatory, human resources, legal, risk management, and information systems. GRU shall not be obligated to execute and deliver the Definitive Documentation unless and until it shall have satisfactorily completed its pre-acquisition due diligence investigation.

GREC agrees to make available all documents, reports, studies, contracts, or other tangible or electric items as may exist in respect of the Facility and the Assets in the possession of GREC and its affiliates, and GREC shall use all commercially reasonable efforts to make available all other information relating to the Facility and the Assets as may exist or as may be reasonably requested by GRU or its counsel and advisors.

Conditions Precedent: The following conditions shall be satisfied prior to executing the Definitive Documentation:

- a. GREC will have complied with its obligations to provide all available documents to allow GRU to conduct all necessary "Due Diligence" referenced above.
- b. GRU shall perform and be satisfied in its sole discretion with the results of due diligence on the Facility and the Assets.
- c. The Facility shall have achieved substantial completion and complied with all conditions related to the air construction permit and the site certification.

2. Non-Binding Nature. Except for the obligation to negotiate pursuant to Section 27.3 of the PPA, this First Offer does not create any binding commitments or legally enforceable agreements and imposes no obligations upon GRU or GREC, nor does it grant either GRU or GREC any rights with respect to the Acquisition. Except as otherwise specifically provided herein, the terms of the Acquisition are set forth herein only to describe GRU's present intentions regarding the Acquisition and are not intended to create any binding obligations on either GRU or GREC or to be construed as an agreement to enter into any binding agreement(s) with respect thereto. No such obligations shall arise unless and until such Definitive Documentation has been approved by the City of Gainesville City Commission and the GREC Board of Directors.

3. Expenses. Each of GREC and GRU shall bear their own expenses in connection with the preparation for and consummation of the Acquisition contemplated by this First Offer and the Definitive Documentation.

4. Section 27.3 of the PPA provides for a 30-day negotiation period after your receipt of this First Offer. In order to facilitate these negotiations, we propose to commence such negotiations with a meeting or a teleconference to be held as soon as mutually agreeable by both GRU and GREC. This first meeting or teleconference would commence the thirty (30) day negotiation period which would then terminate at the close of business, thirty (30) calendar days later.

We look forward to hearing from you regarding this First Offer. To further discuss this letter or should you have any additional questions, please do not hesitate to contact me at (352) 393-1312.

Very truly yours,

By: David Richardson
David Richardson
Gainesville Regional Utilities
Interim Chief Financial Officer