

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE CITY OF GAINESVILLE
AND
UNIVERSITY DEVELOPMENT OF GAINESVILLE, LLC
FOR ADVANCED UTILITY SERVICES

PURPOSE

This is a Memorandum of Understanding ("MOU") between The City of Gainesville, Florida, a municipal corporation doing business as Gainesville Regional Utilities ("GRU") and University Development of Gainesville, LLC, a Florida corporation ("Developer"). The purpose of this memorandum of understanding ("MOU") is to document the status of discussions between the parties to date in order to enable further development of conceptual designs and pricing, which will eventually form the basis for service agreements between GRU and the Developer only after approval by the Gainesville City Commission. Neither GRU nor the Developer is obligated to enter into service agreements unless the final prices, terms and conditions are as mutually agreed. This MOU is applicable only to the provision of certain advanced utility services to the University Corners Development and is also subject to City Commission approval. The services covered by this MOU include:

1. Emergency generation;
2. Chilled water for space conditioning; and
3. Delivery and distribution of advanced communication services within the Project, including Internet, private line data services, voice, and video entertainment

UNIVERSITY CORNERS DEVELOPMENT

The University Corners Development ("Project") is a mixed use, multi-storied facility to be constructed in an area bounded by NW 13 St, University Ave., NW 14 St, and NW 3 Ave. The facility will include 124 condominium residences, 212 hotel rooms, professional office space, and retail and restaurant space, for a total of approx. 652,000 square feet of occupied space (including stairs/elevators, public spaces/lobbies, corridors, and mechanical rooms). The facility will also include approx. 380,000 square feet of garage parking. Not included within these estimates of square footage, but included as part of the Project and covered by this agreement, will be chilled water, emergency generation, and advanced communications services for the University United Methodist Church.

The Developer will retain ownership of some or all of the retail/commercial space after completion of construction. Some or all the residences, office spaces and

hotel rooms will be owned by private entities through one or more condominium association agreements. The ownership and responsibility for operation and maintenance for all common areas and common services will be held by University Corners Master Association, Inc. ("Master Association"), which will be senior to all other condominium associations. The Developer is able to establish the terms and conditions under which the Master Association is created and is thus able to make the assurances made here.

CHILLED WATER SERVICES

GRU wishes to promote chilled water systems in multi-family and tenant occupied commercial properties as a way to promote and demonstrate energy efficient building systems while benefiting all utility ratepayers and the community. GRU proposes to provide chilled water services on an enterprise basis that will be distributed throughout the Project and used to cool and dehumidify occupied spaces of the Project. Although the proposed chilled water system is very energy efficient and cost-effective, it is more costly to initially install than conventional air conditioning systems.

In broad terms, the chilled water system will consist of: electrically-driven centrifugal chiller(s); cooling tower(s); a chiller control system; send and receive chilled water transmission lines; water treatment and conditioning; master BTU metering; distribution of chilled water to, and collection from, individual conditioned spaces within the Project (Customers); customer owned heat exchangers and air handler systems; and metering of chilled water flows for cost allocation purposes.

Chilled Water Facility Responsibilities and Design

GRU at its sole expense shall design, permit, procure, construct, own, operate and maintain the necessary chiller(s), cooling tower(s), control system, water treatment system, water transmission lines and master metering equipment up to the point of demarcation separating GRU's ownership from the Developer's. These facilities collectively shall be known as the "Chilled Water Plant" for the purposes of this MOU. GRU shall retain ownership of any tradable environmental credits that may accrued as a result of operating and owning the chilled water system, such as carbon off-sets, green tags, or conservation credits.

The Developer at its sole expense shall provide all other facilities necessary to distribute chilled water within the Project and measure usage in order to distribute costs equitably among the various occupants of the Project. The design of both GRU's and the Developer's portions of the system, including load assumptions, reliability criteria, material selections, and performance specifications, shall be mutually approved to assure appropriate customer

service and reliability, as balanced against cost. The covenants as to the maintenance and replacement of individually owned equipment imposed by the Master Association on individual customers through association rules and covenants shall be considered an integral part of the design. GRU shall be the sole provider of chilled water and no other systems for space cooling shall be permitted without mutual approval.

Chilled Water Plant Placement

The Developer has agreed to reserve space for the Chilled Water Plant in the basement, on the roof of the Project, and/or in other mutually agreed locations within the Project. If the Chilled Water Plant is to be located within the Project, GRU shall have unrestricted rights of access to those spaces, and will also have the right to use those spaces for other than service to the project. The option of locating the Chilled Water Plant within the Project shall remain open for at least five months from the date of this MOU to allow GRU the opportunity to investigate alternative sites for the chilled water plant that might be more advantageous to GRU.

Chilled Water Billing and Payment

GRU shall measure all the BTU's delivered to the Project, and submit monthly invoices to the Master Association for payment based on fixed and variable costs and the total consumption of energy by Chilled Water Plant serving the Project. The Master's Association shall be solely responsible for payment of these charges. The invoices will include at least the following three billing elements together with a report on the gallons of chilled water re-circulated and the Btu's (British thermal units) delivered to the point of demarcation:

1. A fixed monthly charge to recover capital and other fixed costs;
 2. Variable monthly charges to recover variable non-energy operating costs per Btu delivered; and
 3. Charges for electricity, any other fuel cost associated with the provision of this service.
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The billing elements shall be initially negotiated based on anticipated and actual construction costs, and projections of operating costs. The Chilled Water Plant will be metered and billed for electricity under prevailing tariffs and these costs, together with any other fuel costs, shall be passed-through on a monthly projection and true-up basis. The billing elements, except for the electrical service and fuel charges, shall not be changed more frequently than once per year, upon 60 days notice to the Master Association before the twelve month period over which the charges shall apply. The fixed monthly charge shall be set to reflect GRU's initial and any subsequent capital investments needed for prudent operation of the chilled water system. The non-fuel O&M energy charge shall reflect actual and projected operating expenses and reserves. Failure to

pay shall result in the ability for GRU to cease providing services after sufficient notification to the Master Association and and/or the ability to pursue any other legal recourse available.

The Master's Association will in turn covenant to allocate and collect costs from each member of each condominium association

Term of Chilled Water Service Agreement

The Agreement to provide chilled water shall have a twenty-five year term with subsequent five year renewal period options. The Master Association shall reserve the right to buy out GRU's ownership after ten years upon twenty-four months notice and upon payment of the negotiated value for the Chilled water Plant and will thereby assume all operational responsibilities. Should the Master Association exercise its option to buy-out GRU's ownership, and should GRU have expanded its Chilled Water Plant to serve facilities other than those included in the Project, the Master Association will be obligated to reimburse GRU for system separation and re-integration. GRU shall reserve the right to not renew the Agreement after twenty-five years with twenty-four month notice at which time the Master Association may negotiate to purchase the Chilled Water Plant or provide its own system.

EMERGENCY GENERATION

GRU provides emergency generation services ("ATTENGEN") designed to deliver cost-effective and reliable back-up emergency electric supply for customers that require such services. GRU at its sole expense will engineer, permit, procure, install, own, operate and maintain on site emergency generation needed for the Project on a monthly fee basis, pursuant to an ATTENGEN service Agreement. Developer at its sole expense will engineer, procure, install, own, operate and maintain the housing and transfer switchgear needed for the emergency generation.

Facility Responsibilities and Design

Generation capacity and associated electric interface equipment will be sized and designed as mutually agreed. The Master's Association shall be solely responsible for payment of ATTENGEN charges. Monthly billing elements shall include fixed service charges and fuel expenses. The Developer at its sole expense shall furnish, install, own and maintain the necessary transfer switching equipment and internal circuits for emergency power distribution.

Emergency Generation Placement

The Developer has reserved space for emergency generation in the basement of the Project. GRU shall have unrestricted rights of access to this space at no cost.

Term of the Emergency Generation Agreement

The emergency generation agreement shall have an initial term of five years, with subsequent five year renewal options.

ADVANCED COMMUNICATION SERVICES

GRU wishes to promote the availability and deployment of advanced communication services throughout the community. GRU owns and operates, on an enterprise basis, a fiber-optic based communications system that is uniquely able to accommodate analog and asynchronous or synchronous digital protocols. The Developer wishes to provide the occupants of the facility with the widest range and speed of communications services possible. Given the concept of shared condominium and hotel spaces, the Developer also wishes to provide premium Internet, telephone, and television entertainment as conveniently as possible for a changing set of occupants.

Communications Facilities Design and Responsibility

GRU at its sole expense proposes to design, procure, install, and operate a broadband network within the project capable of delivering and distributing Internet, private line data services, voice, and video entertainment services to the mutually agreed point of demarcation assigned to each space to be served. The Developer at its sole expense shall provide all conduits, raceways, and equipment spaces as needed by GRU to construct its fiber optic broad band network to each point of demarcation, as well as Cat 5 wiring in each residence, hotel room, and office space or any other location where service is desired. The Developer, at its sole expense, shall provide normal and emergency power circuits into equipment closets to support network operations as well as emergency telephone services. GRU shall not be responsible for providing occupants of individual spaces with telephone handsets, computers, televisions and/or other consumer devices using the network.

Communications Services, Billing and Payment

Internet access, local phone service, and premium television entertainment will be purchased in bulk by the Master Association, payable upon monthly invoice. Special Internet services, long distance charges, voice mail and caller ID, pay-per-view video entertainment, video on demand, and private line services will be charged directly to individual customers.

Internet Access The fiber optic broadband network will be designed to provide all residential, condo hotel, professional and commercial office spaces with Internet access over native-speed, bi-directionally symmetrical Ethernet services. Usernames, security, and user support will be provided by GRU's data services help desk. Special features would be individually ordered through this help desk.

Local Phone Service GRU, at its sole option, will either transport a third parties' telephone service or provide its own switched service for local, long distance and special feature groups. Service will be provided over the network facilities to be installed by GRU.


Video Entertainment GRU, at its sole option, will either transport a third parties' programming or provide its own head end to deliver premium video entertainment. Additional channels for hotel or other informational services will be as mutually agreed. Services will include high definition as well as conventional television.

Private Line Services. GRU will provide private line data services through its customary fees and charges under individual agreements with building occupants. These services range from Ethernet to switched network services, including direct access to all major long distance carriers with presence in Gainesville and Ocala.


Term of Communication Agreement

The communications agreement shall have an initial term of five years, with five year term renewal options. Should the Master Association choose not to renew the agreement, it shall reserve the right to buy out GRU's facilities within the confines of the Project with twelve months notice prior to termination upon payment of a negotiated value for plant equipment, and assumption of all operational and financial responsibilities. GRU shall have the right of first refusal to match any alternative service provider or to provide any form of communications service not contemplated under this MOU, including transport of communications services to and from the Project site.

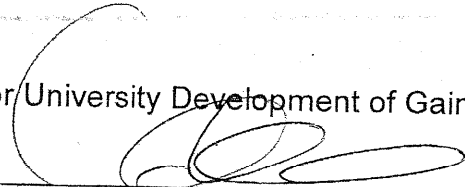
For Gainesville Regional Utilities:



Michael L. Kurtz, General Manager

Date 11/9/05 

For University Development of Gainesville, LLC:



Frank Darabi, Chief Executive Officer

Date 11/4/05