

TO: BRAD NORDHOLM, MADISON GROSS, ALEXANDER DABERKO

FROM: JOHN DIZARD

SUBJECT: PROPOSAL FOR PARTICIPATION IN [REDACTED] PROJECT

DATE: JANUARY 29, 2013

I have done further investigation of the [REDACTED] project, currently sponsored by [REDACTED] that was introduced to us by the [REDACTED] people. I will be sending the [REDACTED] people a separate letter in response to their proposal, but before that, I wanted to share some candid observations with the [REDACTED] team.

1. As we all tended to think from the beginning, the project in its current form, with [REDACTED] as the developer, is not likely to work. The only way it could be made to work would be if the property were to be acquired at a steep discount from its notional book value, in effect from the lender group that has a lien on it, and if it were to be taken over by an experienced and credible developer who could execute a reworked development plan. Intriguingly, it might be possible to meet both conditions.
2. The lender group consists of three firms, led by S [REDACTED] [REDACTED] has already renegotiated [REDACTED] two year \$50mm corporate credit facility twice. The facility matures in September. The lenders are currently being paid with equity in [REDACTED]. [REDACTED] does have other assets, but I would hazard a guess that the lenders would be willing to release their lien on the [REDACTED] project in return for some cash or credible paper that would be a significant discount to the current book value. The [REDACTED] project has already been substantially written down.
3. I asked Roger Feldman and Andrews & [REDACTED] if he could recommend any prospective geothermal developers who might be interested in making such a distressed geothermal property work out. He referred me to Mike Disenza, the [REDACTED] of [REDACTED] LLC, with whom he has worked in the past. [REDACTED] has an operating geothermal project in the Salton Sea area in California, [REDACTED] This facility, a [REDACTED] MW project, achieved Commercial Operation Date on [REDACTED] 2012. [REDACTED] also has operations in [REDACTED] and [REDACTED], but I was particularly impressed that the company had managed to get a new geothermal operation onstream in California.
4. In compliance with our NDA with [REDACTED], i.e., not disclosing the name of the developer or the name of the project, I conducted a phone discussion with several principals of [REDACTED] including [REDACTED] and [REDACTED], the EVP and Managing Partner. I asked about whether they might be interested in a distressed development in the [REDACTED]. [REDACTED] started his career 40 years ago in the [REDACTED]. Without my prompting, he suggested that he and the firm had been looking at a distressed development in the Geysers (i.e., without saying so, [REDACTED] project), and that they had given considerable thought to how it might be made to work. I said that while we had not been geothermal developers or financiers, and did not hold ourselves out as geothermal experts, we did know how to structure projects, both financially and legally, so that the interests of all the participants would be continually aligned through the complete timeline, and that our

record of ethical, consensual partnerships spoke for itself. He indicated that [REDACTED] and its principal investor, [REDACTED] could be interested in partnering with a private equity firm experienced in energy development. I made clear that we would require private-equity-industry-standard returns to make it work for us, and that we would not want to spend excessive time screening this project or looking for other prospective developers. He accepted this point. He also said that the project was not easily integrated with [REDACTED] existing Geysers operation, and that we would not likely get into a bidding war with [REDACTED].

5. [REDACTED] said that the issue in the Geysers area was not whether the resource, that is, the steam, was there, but what the decline rate would be, and could the decline rate be offset at a reasonable cost and risk by water re-injection. He also said that the current distressed project was possible not sized correctly, and that that PPA would have to be renegotiated, but that he believed this could be made to work, depending on the acquisition price.
6. Since [REDACTED] has been studying the Geysers for four decades, if he and his partners are willing to show some financial as well as technical and managerial commitment, they could be the developer-partners this project would require.
7. [REDACTED] and the others agreed to come back to me by the end of this week with a formal expression of interest in further discussion, based on an exchange of NDAs. I believe they have some fairly well developed ideas on how this would have to be restructured. If you agree, we could do the NDA exchange, hear them out, and decide, with the consent of [REDACTED], whether we should contact [REDACTED] with the understanding that this would be, in effect, be the buy-out, at a discount, of the lender's interest. We should not partner with [REDACTED] if [REDACTED] is a dead end, I would politely tell the [REDACTED] people that we would put this on the back burner.