



Horizon BioPower LLC
2126 Southwood Drive
Maryville, TN 37803

27 August 2010

Progress Energy Florida, Inc.
299 First Avenue North, PEF155
St. Petersburg, Florida 33701
Attn: Cogeneration Manager

Progress Energy Florida, Inc.
299 First Avenue North, PEF 151
St. Petersburg, Florida 33701
Attn: Deputy General Counsel

RE: Horizon BioPower LLC Remediation Program under the Progress Energy Florida Power Purchase Agreement (PPA) dated 5 August 2008

Dear Sir;

After an extensive Horizon BioPower partners' discussion, discussion with Heber Weller who understands the Florida situation best, Gerry Bell Chairman of Energy Independence, and our attorney, we have decided to send this letter requesting termination of our current PPA referenced above.

The key reason is that we are not able to reasonably assure ourselves or Progress Energy Florida that we could meet the Capacity Commencement Date of 1 January 2013 with our current situation.

1. To meet the 1 January 2013 Capacity Commencement Date, we would need to have money in place by November 2010 and immediately commence the EIS and permitting.
2. The Permitting phase would need to be complete, including public meetings, within 7 months.
3. The Design and Construction phase would need to commence 1 July 2011 and finish 1 November 2012 (16 months) allowing 2 months for testing and commissioning.
4. In contrast, the Permitting is likely to take 12 months and our original detailed study of the Design and Construction phase determined it would take 19 months.
5. This is a total difference of 8 months between the schedule needed to meet the PPA and the best (most informed) estimate we have.

Such a large difference between the schedule need and our original plan would call into question our approach and ultimately damage our credibility. It doesn't pass a "reasonable man" test. Today, we simply do not believe we can reasonably meet the 1 January 2013 Capacity Commencement Date from where we are today.



Horizon BioPower LLC
2126 Southwood Drive
Maryville, TN 37803

27 August 2010

As stated in previous correspondence, we have successfully negotiated equity and debt financing for projects under the subject PPA. However, since the funding is from international sources, and remains held today in the Federal Reserve awaiting final Patriot Act release, we have no way to confirm the money in place by November 2010.

So, Heber and I will be recreating our strategy in Florida over the next couple months around the following elements:

1. Working with Utility Commission of New Smyrna Beach to finish the draft PPA we started earlier this year.
2. Working with Progress Energy Florida to re-propose the existing PPA with modifications around the strength of financing.
3. Working with Veolia (a very large MSW processor) to structure a multi-project strategy in Florida and states where they are strongest.
4. Opening up our consideration of "BioFlorida1 plant technology" beyond the Enerkem technology. This would include new consideration of Japanese technology as well as others that we have developed working relationships.

I want to thank Progress Energy Florida for all its reviews and advice over the last several months. I certainly wish the results would have been more favorable, but right now that is not the case. However, this does mean a better model may emerge in the future that makes all of us more comfortable proceeding together.

If you have any concerns or questions, please do not hesitate to contact our Director, Southeast Power Projects, Heber Weller (727-580-5768, hweller@horizonenergygroup.com) or myself (865-300-7395, spullins@horizonenergygroup.com).

Sincerely,

A handwritten signature in black ink that reads "Steven W. Pullins".

Steven W. Pullins
Chairman/CEO, Horizon BioPower LLC