

2. Executive Summary – Responses shall include a concise abstract stating the bidders' understanding of the project of no more than three (3) pages.

Logansport Municipal Utilities (“LMU”) is a municipally owned electric utility in Indiana. It currently operates two coal-fired GE turbine generators at a single site in Logansport. The company sells power directly to the people of the municipality.

Indiana is 2nd in the nation in coal power generation, with 90 operating coal-fired units at 30 locations totaling 21,551 megawatts (MW). These plants average 239 MW in size. Ohio has 119 coal-fired generating units averaging 200 MW capacity, making the state the largest coal energy producing state in the U.S. With a coal-generated capacity of only 38.5 MW, LMU is at a significant operating cost disadvantage to its regional competitors.

Electricity demand in the United States declined from 4.2 Billion megawatt hours in 2007 (prior to the beginning of the economic recession in 2008), to 3.9 Billion megawatt hours in 2009. While this represents only a 5% decline from *all* sources of electric power, coal-fired power plants realized a 15% reduction in output. As a result, many marginal coal-fired plants have ceased operation.

Logansport Municipal Utilities has been dramatically impacted by the recession. LMU is still operating full time, but since 2008 it has been recovering only cash costs, instead of recovering both costs and recovering invested capital.

With increasing coal and associated environmental costs, LMU has recognized that it may be forced to curtail operations, unless it adopts a different fueling strategy to lower its feedstock costs and increase operating efficiency.

LMU has received many proposals relating to the future of its facility. Duke Energy Indiana has offered electricity rate reductions of 4.5% for two years to Logansport consumers if the plant is closed by May 2012. If LMU waits until September 2012 to close the plant, Duke offers rate reductions for only one year. The LMU board has until late August to decide upon which proposal it will adopt.

In 2008, Americans generated about 250 million tons of trash, of which over 50% was discarded into landfills. All states have landfills; however, spare capacity has become constrained, as reflected in tipping fees (the price paid to landfill operators to dispose of the trash) above \$60/ton in some states. In fueling the plant via gasification of MSW, Life Cycle Energy believes that the utility may realize revenues in addition to those of power generation by capturing all or a part of these tipping fees.

By recognizing some value from tipping fees, LMU's cost of power production would be reduced substantially relative to that now realized through burning coal. Following conversion, LMU will be able to compete with even the most cost-efficient coal-fired utilities.

To facilitate the transition of Logansport Municipal Utilities from being a coal-fired utility to being fueled with MSW, Cate Street Capital, Inc. (“CSC”) proposes that its subsidiary, Life Cycle Energy LLC, be responsible for all of the activities required to transition LMU from coal to solid waste. These activities will include, but not be limited to:

- Selecting process technology and contractors;
- Permitting including modifying LMU’s existing Title V air permit, installing and operating a solid waste transfer station, and construction;
- Securing long-term supply of MSW feedstock;
- Concluding a long-term power purchase agreement with LMU;
- Financing the total transaction using the most cost-effective capital structure;
- Overseeing the engineering, construction, and procurement activities being managed by the selected EPC contractor;
- Concluding a Build, Operate, and Transfer (BOT) agreement with LMU, under which key assets of LMU will be sold to Life Cycle Energy at fair market value; and/or
- Execute an operating agreement with LMU, whereby the utility will be responsible for day-to-day operations of Life Cycle Energy.

Ongoing operations of the new company will be governed through a board of directors, which will include representation from both the owners of Logansport Municipal Utilities and operating management. The structure of this board will be detailed in an Operating Agreement, to be developed following award of the RFP.

Cate Street Capital has evaluated various gasification technologies for potential application at LMU. Although there is no known commercial-scale gasifier process now operating in the US, CSC has identified one technology, which has received endorsement by the Department of Energy, and has also been validated by the independent engineering firm R.W. Beck. This gasifier was developed by ICM, Inc., which is well known in for its technology in other process industries. Importantly, ICM has aligned with the EPC firm Corval Ryan to deploy its gasifier units to commercial users. CSC believes that because of this history, converting LMU to this technology will be both financeable and successful.

CSC is optimistic about the success of the proposed transaction for several reasons. Among the most important is the willingness of LMU to sell key operating assets to the new venture, which will dramatically reduce capital costs and may shorten the time required to complete the conversion. These key assets include the 22MW and 16.5MW turbine generators and related equipment supporting their operation. Equally important is the existing interconnections to the power grid, and the Title V air permit. The combination of these attributes will entice capital to the project, and ultimately improve profitability.

Project completion will require roughly 16 - 18 months following financial close. Following award of the RFP, CSC will engage Corval Ryan and ICM to begin project planning and design. This pre-financing design phase will require several months. In parallel with this effort will be permitting, and securing MSW supply and Power Purchase Agreements (“PPA”) contracts. CSC

has already initiated conversations with financial institutions to explore the interest in financing of this “first of its’ kind” commercial project.