BOULT ▪ CUMMINGS®
CONNERS ▪ BERRY PLC

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August 31, 2005

Hon. Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

2005 AUG 31 PM 3 37
T.R.A. DOCKET ROOM

Re: *Application of ESG Pipeline (JC), LLC for a Certificate of Convenience and Necessity to Operate a Processed Methane Gas Distribution System in Johnson City, TN*
Docket No. 05-00244

Dear Chairman Miller:

Enclosed please find the original and fourteen (14) copies of ESG Pipeline (JC), LLC's Application for a Certificate of Public Convenience and Necessity. A check in the amount of $50.00 is also enclosed.

Should you have any questions concerning this matter, please do not hesitate to telephone my office.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: Henry Walker

1153666 v1
106798-001 8/31/2005

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

August 31, 2005

IN RE: Application of ESG Pipeline (JC), LLC	)		
for a Certificate of Convenience and Necessity	)		
to Operate a Processed Methane Gas	)	Docket number:	____________
Distribution System in Johnson City, TN	)		

APPLICATION OF ESG PIPELINE (JC), LLC FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

The Applicant, ESG Pipeline (JC), LLC, would respectfully show to the Authority as follows:

1. ESG Pipeline (JC), LLC ("ESG-JC" or "Applicant") is a wholly owned subsidiary of Energy Systems Group, LLC ("ESG"). ESG-JC is an Indiana company authorized to do business in Tennessee.

2. On April 7, 2005, ESG Biofuels (JC) LLC, another ESG subsidiary, entered into a contract (Exhibit 1) with Johnson City, Tennessee, to purchase methane gas from the Iris Glen Landfill located at 1705 East Main Street, Johnson City, Tennessee. The landfill is owned by the city. It is the intent of ESG-JC, upon approval of this Application by the TRA, to build a pipeline distribution system that will ultimately carry this processed methane gas (formally landfill gas) from the Iris Glen Landfill to initially one (1) industrial customer, Mountain Home Energy Center, LLC, but eventually to as many as four (4) industrial customers, all within Johnson City, Tennessee. A map of the proposed pipeline to serve the initial customer is set forth in Exhibit 2.

3. The construction and operation of a processed methane gas pipeline distribution system will make ESG-JC a public utility as defined in T.C.A. §65-4-101 and subject to the regulation of the Tennessee Regulatory Authority. See also Chapter 361 of the Public Acts of 2005, Section 6, specifying that a pipeline carrying landfill methane gas is subject to the jurisdiction of the TRA.

4. Pursuant to T.C.A. §65-4-201, ESG-JC seeks a Certificate of Convenience and Necessity from this Authority to construct and operate a pipeline system to distribute processed methane gas to a maximum of four customers within Johnson City, Tennessee.

5. In lieu of a tariff, ESG-JC has negotiated a special contract for pipeline transportation with the initial industrial customer and submits it for TRA approval. A copy of the contract is attached. See Exhibit 3. The contract requires ESG-JC to transport processed methane from the landfill to the customer's site. As processed methane gas becomes available in greater quantities, ESG-JC intends to transport gas for up to three additional industrial customers in the Johnson City service area. ESG-JC will submit any new special contracts to the TRA for approval prior to providing such service.

6. As demonstrated by the contract between the ESG Biofuels and Johnson City and by the contract between the Applicant and Mountain Home Energy Center, LLC, there is a public need for a pipeline to transport processed methane gas from the Iris Glen Landfill to industrial customers within Johnson City. As recognized in state law, see Chapter 361 of the Public Acts of 2005, landfill gas is a separate and distinct product from natural gas.[1] Processed methane is less expensive than natural gas and will provide

[1] Section 2(b) of Chapter 361 incorporates the following legislative findings:

> It is recognized by the general assembly that the provision of dependable and economical sources of energy is vital to the health, welfare and economic well-being of the citizens and residents of the state and that one of the primary sources of energy in this state is natural gas. The general assembly further recognizes world supplies of natural gas are limited and that the market for natural gas has undergone major changes in recent years due to increasing demand. It is recognized by the general assembly that the primary constituent of natural gas is methane, and that methane is generated by the natural decomposition of materials deposited in sold waste landfills. Landfill methane is produced in landfills together with other gaseous materials but the methane may be extracted, treated, and sold as a substitute for natural gas. It is also recognized by the general assembly that if not utilized for a natural gas substitute or other energy or commercial use, the landfill methane may constitute a pollutant if released into the atmosphere and in certain instances under state and federal environmental laws the landfill methane must be collected and destroyed and the commercial value of the landfill methane would then be wasted. In order to ensure that all persons have the flexibility and power to compete for and obtain methane from landfill gas and treat it for substitution for natural gas on terms which will result in continuing availability of both natural gas and landfill methane at reasonable rates to the citizens and residents of the state and to encourage the reduction or elimination of atmospheric pollution that may occur if the landfill methane were allowed to be introduced into the atmosphere, it is the intent of the general assembly by this act to . . .

an economical fuel alternative for up to four customers within Johnson City. The use of processed methane also conserves natural gas resources. See Chapter 361, Section 2(b). There is no other route, plant, line, or system capable of distributing processed methane gas to customers in Johnson City.

7. ESG-JC is aware of and will comply with the rules and safety requirements of the TRA, Washington County and Johnson City.

8. As set forth in the attached exhibits and as ESG-JC will demonstrate at the hearing on this matter, ESG-JC has the financial, managerial and technical expertise to construct and operate a processed methane gas pipeline distribution system. In support of this application, ESG-JC submits its audited financial statement for 2004, attached to the Application as Exhibit 4. In addition, ESG-JC submits a list of the background and related work experience of key ESG-JC personnel associated with this project. See Exhibit 5. Finally, ESG-JC submits a list of its related and affiliated companies. See Exhibit 6. As shown in Exhibit 6, these related and affiliated companies have substantial, collective experience in the construction and operation of gas distribution networks.

9. All correspondence and communications with respect to this Application should be sent to the follows:

Henry Walker
Boult, Cummings, Conners & Berry, PLC
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, TN 37203
Telephone: (615) 252-2363
Facsimile: (615) 252-6363

Dennis Bollinger
Director of Clean Fuel Projects
Energy Systems Group, LLC
4655 Rosebud Lane
Newburgh, IN 47630
Telephone: (812) 492-3704
Facsimile: (812) 475-2544

Hal Novak
WHN Consulting
19 Morning Arbor Place
The Woodlands, TX 77381
Telephone: (713) 298-1760
Facsimile: (615) 301-3692

10. Pursuant to T.C.A. §65-4-203(b), a copy of this application has been sent to the authorities of Johnson City, Tennessee, and to Atmos Energy Corporation, a certified natural gas distribution company operating in Johnson City.

WHEREFORE, Applicant prays:

1. That the Tennessee Regulatory Authority grant a Certificate of Convenience and Necessity to ESG-JC to construct and operate a pipeline distribution system to deliver processed methane gas to a maximum of four customers located in Johnson City;

2. That the Special Contract between the Applicant and Mountain Home Energy Center, LLC be approved; and

3. For such other relief as Applicant may be entitled.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: ______________________________

Henry Walker
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, TN 37203
(615) 252-2363

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via U.S. mail, to:

City of Johnson City, Tennessee
Stephen M. Darden, Mayor
Municipal and Safety Building
601 East Main Street
P.O. Box 2150
Johnson City, TN 37605-2150

Atmos Energy Corp.
810 Crescent Centre Drive, Ste. 600
Franklin, TN 37067

on this the 31st day of August 2005.

Henry Walker

EXHIBIT #1

LANDFILL GAS CONTRACT WITH THE CITY OF JOHNSON CITY

COPY

LANDFILL GAS PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

CITY OF JOHNSON CITY, TENNESSEE

AND

ESG BIOFUELS (JC), LLC

April 7, 2005

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LANDFILL GAS PURCHASE AND SALE AGREEMENT

This Landfill Gas Purchase and Sale Agreement (this "***Agreement***") is entered into as of the 7th day of April, 2005 (the "***Effective Date***") by and between the City of Johnson City, Tennessee, a municipal corporation organized and existing under the laws of the state of Tennessee with its principal offices located at 601 East Main Street, Johnson City, Tennessee 37601 (the "***City***") and ESG Biofuels (JC), LLC, an Indiana limited liability company, with its principal place of business located at 20 N.W. Fourth Street, Evansville, Indiana 47708 ("***Purchaser***").

Recitals

A. The City owns the Iris Glen Landfill located at 1705 East Main Street, Johnson City, Tennessee (as hereinafter defined, the "***Landfill***").

B. Waste Management, Inc. of Tennessee ("***Operator***") operates the Landfill on behalf of the City.

C. The City owns the Collection System (as hereinafter defined) to collect Landfill Gas (as hereinafter defined) from the Landfill and the Landfill Gas collected by it.

D. The City desires to sell to Purchaser, and Purchaser desires to purchase from the City, all of the Landfill Gas recovered by the Collection System.

E. The City and Purchaser have contemporaneously with this Agreement entered into that certain Plant Site Lease (the "***Site Lease***") pursuant to which the City leases certain real property at the Landfill to Purchaser for the location of the Plant. The City and Purchaser's indirect parent, Energy Systems Group, LLC, have contemporaneously entered into that certain Guaranty Agreement pursuant to which Energy Systems Group, LLC gives a limited guarantee of certain obligations of Purchaser under this Agreement and the Site Lease.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and Purchaser agree as follows:

1. **Definitions**. The definitions below shall apply to the capitalized terms used in this Agreement and any Exhibits attached or incorporated by reference.

1.1 Accuracy Standard has the meaning set forth in Section 7.1(b) hereof.

1.2 Affiliate means, with respect to Purchaser, any other entity that directly or indirectly, or through one or more intermediaries, manages, controls, is controlled by, is managed by, or is under common control or management with such Party. "Control" for purposes of this definition includes, without limitation, the ability to vote 50% or more of the voting equity of a Party.

1.3 City means the City of Johnson City, Tennessee, its successors and permitted assigns.

1.4 Collection System means the network of recovery wells and interconnecting pipes together with attendant valves, pumps, monitoring devices, flares and other gas collection-related equipment installed for the purpose of collecting, monitoring and destroying Landfill Gas existing at the Landfill, together with any modifications, expansions or additions to such system made by the City over time to the extent located on the Landfill.

1.5 Commercial Operations shall mean the commencement of commercial sales of Methane Gas or energy in any form derived from Landfill Gas by Purchaser to a Customer.

1.6 Commercial Operations Date shall mean the date upon which Commercial Operations first commence.

1.7 Condensate shall mean the liquid constituents separated from Landfill Gas by Purchaser or others downstream of the Transfer Point.

1.8 Confidential Information shall mean all information, documentation, or data noted in writing by one Party to the other Party as "confidential"; provided, however, that "Confidential Information" shall not include any information, documentation, or data required to be disclosed to the public.

1.9 Conforming Landfill Gas shall mean Landfill Gas delivered to the Delivery Point that is in compliance with all applicable laws and permits.

1.10 Customer shall mean the end-user customer or customers purchasing the Methane Gas, energy or other product produced from the Landfill Gas. The singular form in this definition shall include all customers and the singular form shall be read as plural.

1.11 Delivery Point shall mean a point immediately upstream of the valve at which Purchaser can direct Landfill Gas to the Plant or to the City's or Operator's flare, as more fully identified in Exhibit A hereto.

1.12 Effective Date is as set forth in the first paragraph of this Agreement.

1.13 Emissions Credits means all air emission credits, reductions, offsets or any other similar benefits arising from the generation, collection, production, use, reduction, conversion, destruction or sale of Landfill Gas, including without limitation greenhouse gas carbon dioxide equivalent and NOx emissions credits or reductions, whether presently existing or not, known or unknown, accrued, absolute, contingent or otherwise, and whether currently or prospectively accredited, registered, approved, sanctioned, recognized, governed or regulated by an existing or to be formed local, municipal, state, federal, regional, provincial or international governmental, quasi-governmental, public or private body, enterprise or entity.

1.14 Event of Default shall have the meaning set forth in Section 10.1 hereof.

1.15 Filing Date shall have the meaning set forth in Exhibit B hereto.

1.16 Force Majeure shall mean one or more circumstances in which either Party is unable to carry out, either in whole or in part, its obligations herein contained as a result of a cause beyond the affected Party's reasonable control, and not due to the act, omission or negligence of the affected Party or the affected Party's insolvency or financial condition. Force Majeure shall include but not be limited to: (i) acts of God such as winds, hurricanes, tornadoes, fires, epidemics, landslides, floods; (ii) strikes, lock-outs or other industrial disturbances; or (iii) military action, war, or terrorism, whether or not it is declared, sabotage, riots, or civil disturbances.

1.17 Higher Heating Value shall mean, with respect to any hydrocarbon, the amount of heat released when a known volume of such hydrocarbon is burned plus the amount of heat released due to the condensation of water vapor to the liquid State as a result of combustion. For purposes of this Agreement, the Higher Heating Value of methane shall be as defined by the American Gas Association (AGA) Report No. 3.

1.18 Initial Term has the meaning set forth in Section 2.1 hereof.

1.19 Landfill means the six (6) closed, active or currently planned cells of the Landfill as identified on Exhibit A hereto, together with any vertical expansion within the footprint of such cells or any contiguous horizontal expansion of the cells. The Landfill does not include any other separate waste areas that may be filled by the City or the Operator, the landfill gas from which is combusted in a separate flare.

1.20 Landfill Gas shall mean methane, and other constituent products generated by anaerobic decomposition of matter within the Landfill collected by and produced through the Collection System.

1.21 Landfill Gas Price shall have the meaning set forth in Section 5.2 hereof.

1.22 Methane Gas shall mean the end product of Purchaser's processing and conversion of Landfill Gas at its Plant.

1.23 Minimum Purchase Amount shall have the meaning set forth in Section 5.3 hereof.

1.24 MMBTU shall mean, when referring to a quantity of Landfill Gas, one million British thermal units of such Landfill Gas as based upon the Higher Heating Value of such Landfill Gas.

1.25 Not Economically Viable shall mean:

(a) The Project has realized actual negative Operating Cash Flow during each of the previous six (6) consecutive operating months, and

(b) There is reasonable forecast of continued negative Operating Cash Flow for the subsequent six (6) consecutive month period that begins at the end of the six consecutive month period described in Section 1.25(a) hereof.

1.26 NYMEX Price for any date shall mean the 200-day moving average of the "spot price" for natural gas at the Henry Hub on the New York Mercantile Exchange as determined on the close of business on the last trading day of each calendar quarter (i.e., last trading day of March, June, September, or December). This price will be the basis for establishing the price paid to the City during the following calendar quarter (i.e., the 200-day moving average price as determined on the last trading day of March will be used to establish the basis for payments to the City for gas collected in April, May and June). This information is published at www.FutureSource.com. Purchaser will purchase a subscription to FutureSource.com. The Parties assume that each Party will be able to verify the NYMEX Price directly with Futuresource. If at any time during the Term, either Party is unable to verify the NYMEX Price directly with FutureSource.com or a mutually agreeable substitute information source becomes available, the Parties will arrange for a mutually agreeable substitute information source for the same 200-day average price.

1.27 Operating Agreement shall mean that certain Johnson City, Tennessee Sanitary Landfill Operating and Maintenance Agreement dated April 1, 1992 between the City and the Operator, as amended and as it may be amended from time to time, or any successor agreement with a successor operator.

1.28 Operating Cash Flow or EBITDA shall mean the earnings of the Project before interest, taxes, depreciation and amortization.

1.29 Operator shall mean Waste Management, Inc. of Tennessee, together with any successor operator of the Landfill retained by the City.

1.30 Outside Commercial Operations Date shall mean the date indicated in Exhibit B.

1.31 Party shall mean any party to this Agreement. Parties means both parties to this Agreement.

1.32 Payment shall mean payment(s) made by Purchaser to the City, according to the terms described in Section 5 hereof.

1.33 Permit Receipt Date shall mean the date upon which Purchaser has received all necessary approvals, permits, easements and rights-of-way so as to be able to construct the Plant and the Pipeline.

1.34 Pipeline shall mean the pipeline(s) constructed by Purchaser to deliver Methane Gas from the Plant to Customer premises or delivery points.

1.35 Plant shall mean the compressors, other equipment, component parts and improvements used by Purchaser to treat and process Landfill Gas, compress Landfill Gas and to convert Landfill Gas to Methane Gas.

1.36 Project shall mean Purchaser's Facilities together with all activities and efforts associated with the permitting, construction, operation and maintenance of Purchaser's Facilities and the treatment, processing and conversion of Landfill Gas into Methane Gas and the subsequent delivery and sale of such Methane Gas or derived energy to a Customer or its use or disposal otherwise.

1.37 Project Schedule shall mean the proposed project timeline contained in Exhibit B hereto.

1.38 Purchaser shall mean ESG Biofuels (JC), LLC, an Indiana limited liability company.

1.39 Purchaser's Facilities shall mean the Plant, the Pipeline, and all appurtenant equipment installed by Purchaser from time to time to deliver Methane Gas or other forms of energy to Customers.

1.40 Qualified Designee shall mean a company that is reasonably acceptable to the City. The qualifications of such a company shall include, but not be limited to: at least five (5) years of documented experience in the operation of gas-fired energy projects, demonstrated financial capability to operate the Project and fulfill the obligations of Purchaser under this Agreement in the reasonable judgment of the City, ability to obtain insurance coverage of the types and amounts set forth in this Agreement from a reputable insurer, no history of criminal or fraudulent conduct of any kind, no history of disputes with the City and no history of material regulatory violations.

1.41 Renewable Energy Benefits shall mean all net revenues realized from the sale of any and all attributes associated with the generation and sale of electricity or other energy uses of any kind whatsoever using Landfill Gas from the Landfill as a fuel, including any "green" tags or tickets, whether presently existing or not, known or unknown, accrued, absolute, contingent or otherwise, and whether currently or prospectively recognized, governed or regulated by a present or future local, state, national or international government or quasi-governmental entity, public or private body. Renewable Attributes include, but are not limited to, any renewable energy credits or other similar benefits that might accrue to Purchaser under current or future applicable laws from the generation and sale of electricity or other energy uses of any kind whatsoever using Landfill Gas from the Landfill.

1.42 SCFM shall mean standard cubic feet of Landfill Gas flow per minute, measured at sixty degrees Fahrenheit (60 degrees F.) and at a pressure of fourteen and seventy-three one hundredths (14.73) pounds per square inch absolute (psia).

1.43 Site Lease has the meaning set forth in the Recitals.

1.44 Term has the meaning set forth in Section 2.1 hereof.

1.45 Transfer Point shall mean a point immediately downstream of the valve at which Purchaser can direct Landfill Gas to the Plant or to the City's or Operator's flare and upstream of Purchaser's Facilities, as more fully identified in Exhibit A hereto.

1.46 Unused LFG Increment has the meaning set forth in Section 4.3 hereof.

2. **Term.**

2.1 This Agreement shall commence on the Effective Date and shall continue for an initial term of twenty-five (25) years (the "***Initial Term***"). Purchaser may extend this Agreement for one (1) period of five (5) years by providing notice to City no later than one hundred twenty (120) days prior to the expiration of the Initial Term of its intent to extend. Thereafter, the Parties may (but shall not be obligated to) extend this Agreement by mutual agreement, for succeeding periods of five (5) years each. The extension of this Agreement shall be on the same terms and conditions provided herein (as such terms and conditions may have been amended or modified in accordance with Section 18.3 hereof). Together, the Initial Term and any extensions thereof shall be referred to herein as the "***Term***".

2.2 The City's Option to Take/Purchase. Upon the expiration or earlier termination of this Agreement, the City shall have the right but not the obligation to take or acquire all or any part of Purchaser's Facilities. The City shall make its election by written notice to Purchaser, as applicable, (a) no later than one hundred eighty (180) days prior to the expiration of this Agreement or (b) no later than sixty (60) days after the termination of this Agreement. The City may elect to take the Pipeline for no consideration and may elect to take the Plant by making a payment to Purchaser equal to the Plant's fair market value. If the Parties cannot agree on the fair market value of the Plant within thirty (30) days after the City's notice, then fair market value shall be determined by a team of three (3) appraisers, one appointed by the City, one appointed by Purchaser and the third appointed by the City's and Purchaser's appraisers. The cost of such valuation shall be borne equally by the City and Purchaser.

3. **Project and Collection System Obligations.**

3.1 Construction of Purchaser's Facilities. Purchaser at its sole cost shall design, permit and construct Purchaser's Facilities, including but not limited to all piping to connect the Plant to the Collection System, in accordance with industry standards, applicable law, the Operating Agreement and the terms of this Agreement. Purchaser shall not make any installation, improvement, modification, alteration or addition that is detrimental to the Landfill or Landfill operations. Prior to construction, in addition to any permitting requirements, Purchaser shall submit its design plans for the Project to the City's Code Enforcement Division and Operator for review and approval, such approval not to be unreasonably withheld or delayed. No such review by the City or Operator will be deemed as any acknowledgement or warranty of the City or Operator as to any aspect of the Project, nor shall any such review create any liability or obligation on the part of the City or Operator. Within ninety (90) Days after the Effective Date, Purchaser shall provide the City with a list of all permits, licenses, approvals, easements and rights of ways that Purchaser requires in order to construct the Project and achieve the Permit Receipt Date. The City shall use reasonable efforts to assist Purchaser in procuring all required permits, licenses, approvals, easements and rights of ways for the Project.

3.2 Project Schedule. Purchaser will use commercially reasonable efforts to meet the Project Schedule and will inform the City of any delays.

3.3 Operation and Maintenance of Purchaser's Facilities. At its sole cost, Purchaser shall construct, maintain and operate Purchaser's Facilities according to applicable law and industry standards (including practices, methods and equipment, as the same may change from time to time, that are commonly used to prudently design, construct and operate facilities similar to Purchaser's Facilities, but not necessarily any one practice, method, standard, procedure or act to the exclusion of all others, or if there are no facilities similar to Purchaser's Facilities, practices, methods or acts which, in the exercise of reasonable judgment of an independent engineering professional in light of the facts known, might yield the desired result). At its own cost, Purchaser shall obtain all necessary licenses and permits required by law to do business in the City of Johnson City and to perform the obligations required by this Agreement. Purchaser shall perform all construction work in accordance with applicable laws, codes and regulations, rules and state and federal laws generally applicable to contracts for public works.

3.4 Coordination with Operator. Purchaser acknowledges receipt of, and has reviewed, a copy of the Operating Agreement, and will take no action nor allow any action to be taken that will adversely affect performance of the Operating Agreement as such agreement exists today. In any conflict between the permitting, design, construction and operation of the Landfill and the permitting, design, construction and operation of the Project, the requirements of the Landfill must and will control. Purchaser shall have no rights or control whatsoever with respect to landfilling operations. The City will require Operator to operate the Collection System in conformance with the Operating Agreement. If Operator breaches its obligation under Section XIV of the Operating Agreement to install, maintain and monitor the Collection System in accordance with applicable permits, the City will promptly and diligently enforce the Operating Agreement against Operator until the breach is cured. The City will require any successor operator to meet a similar obligation and will similarly enforce (or perform, if the City is the operator) any such obligation. The City will use reasonable efforts to coordinate with Purchaser to minimize the potential for a conflict between Landfill activities and Project activities, to the extent that such coordination does not require material expenditures by either the City or Operator. Such coordination shall include allowing Purchaser to monitor Landfill Gas quantity or quality and request that Operator tune Landfill Gas wells to improve the same, but within the limits of the Collection System and applicable laws regarding Landfill Gas collection and emissions as determined by Operator and the City.

3.5 Landfill Gas Emissions from Purchaser's Facilities. If there is a release of Landfill Gas from any of Purchaser's Facilities that causes an odor problem, whether or not such a problem causes a violation of applicable law, Purchaser shall promptly and at its sole cost repair any leak or correct any problem that caused the release.

3.6 The City's Notice Right. Purchaser shall include in any contracts with Customers the condition that the City shall be notified in the event of any default of Purchaser under such contracts, and that the City shall have the right but not the obligation to cure any defaults of Purchaser under such contracts, provided that such right shall be secondary to the cure rights of any of Purchaser's lenders of which the City has received notice.

3.7 Parent Guarantee. Contemporaneous with the execution of this Agreement, Energy Systems Group LLC has given a limited guarantee of the performance of certain of Purchaser's obligations hereunder and under the Lease by executing the Guaranty.

4. **Delivery and Purchase Obligation.**

4.1 Delivery and Direction of Landfill Gas. On and after the Commercial Operations Date, subject to Section 4.3, the City shall deliver to the Delivery Point all Landfill Gas produced by the Collection System. Purchaser shall direct all Landfill Gas delivered by the City to the Delivery Point either (a) to the Transfer Point, or (b) to the City or Operator's flare. The City or Operator shall be responsible for the operation of the City's or Operator's flare and for the destruction or disposal of all Landfill Gas directed by Purchaser to such flare.

4.2 Purchase and Sale of Landfill Gas. Purchaser shall take and pay for all Conforming Landfill Gas directed by Purchaser to the Transfer Point, which shall include all Conforming Landfill Gas needed by Purchaser for its processes or for resale to any Customers. Title to the Landfill Gas shall pass from the City to Purchaser at the Transfer Point. Purchaser shall provide the City with all documentation needed by the City to demonstrate that all Landfill Gas directed by Purchaser to the Transfer Point was destroyed or disposed of in accordance with applicable law.

4.3 Unused Landfill Gas. If at any time beginning nine (9) months after the Commercial Operations Date the average hourly flow of Landfill Gas delivered by Seller to the Delivery Point in a month exceeds the average hourly amount of Landfill Gas directed by Purchaser to the Transfer Point in the same month by at least 15 MMBTUs/hour (the equivalent of 10,800 MMBTUs per month) (an "***Unused LFG Increment***") for at least nine (9) consecutive calendar months, then the City may give notice of the Unused LFG Increment to Purchaser, and thereafter Purchaser shall forfeit the right to take and purchase such Unused LFG Increment unless, beginning with the next monthly Payment due after the City's notice and in every month thereafter, Purchaser pays ten cents ($0.10)/MMBTU for all Landfill Gas delivered by the City and not used by Purchaser in a month up to and including the Unused LFG Increment. The City may give notice of more than one Unused LFG Increment over the Term. If at any time after the City's notice Purchaser fails to timely make a payment for an Unused LFG

Increment, then Purchaser shall no longer have the exclusive right to purchase Landfill Gas in the amount of the Unused LFG Increment and the City may sell such Landfill Gas to another purchaser. Rights to the Unused LFG Increment thus forfeited by Purchaser shall expressly be subject and subordinate to Purchaser's right to the quantity of Landfill Gas that has been not been forfeited under this Section 4.3.

For example, if the City delivers Landfill Gas to the Delivery Point at an average rate of at least 46 MMBTUs/hour (the equivalent of 33,120 MMBTUs/month) in every month from January through September of a given year but Purchaser directs Landfill Gas to the Transfer Point at a rate no greater than 31 MMBTUs/hour (the equivalent of 22,320 MMBTUs/month) in each of the same months, then Purchaser would forfeit the right to take any Landfill Gas produced by the City in any month thereafter above 31 MMBTUs/Hour unless starting in October Purchaser begins paying the City every month $0.10 per MMBTU for any MMBTUs delivered by the City but unused by Purchaser up to 46 MMBTUs/Hour. If Purchaser begins to make such payments but later stops, Purchaser forfeits the right to such Landfill Gas from the first month that Purchaser fails to make such payments.

4.4 Condensate. Purchaser shall dispose of Condensate and any other waste product of any kind or nature produced from Project operations in accordance with all applicable laws.

4.5 No Warranty. PURCHASER TAKES ALL LANDFILL GAS IN AN AS-IS CONDITION. THE CITY DISCLAIMS, AND PURCHASER IRREVOCABLY WAIVES, ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, CONCERNING ANY ASPECT OF LANDFILL GAS DELIVERED HEREUNDER, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A SPECIFIC PURPOSE AND ANY WARRANTY REGARDING AMOUNT. The disclaimer in this Section 4.5 shall not affect the terms of Section 5.8 below.

5. **Payments to the City.**

5.1 Purchaser shall make the following payments to the City: (a) a milestone payment of $200,000 upon the earlier of (i) the Permit Receipt Date, (ii) the date Purchaser begins excavation or construction of the Plant or the Pipeline, or (iii) June 30, 2006 (provided that the City has granted all permits, licenses, approvals, easements and rights-of-ways in the City's control listed by Purchaser in the list provided under Section 3.1), and (b) a Commercial Operations payment of $100,000 within five (5) days after the Commercial Operations Date.

5.2 Purchaser agrees to pay the City for Conforming Landfill Gas that is directed by Purchaser to the Transfer Point at the rate set forth in this Section 5.2 (the "***Landfill Gas Price***").

(a) Beginning on the Commercial Operations Date, the Landfill Gas Price shall be as set forth in the table below:

- 15% of that portion of the NYMEX Price up to $3.00/MMBTU, plus
- 34% of that portion of the NYMEX Price over $3.00/MMBTU up to $6.00/MMBTU, plus
- 50% of that portion of the NYMEX Price over $6.00/MMBTU.

For example,

(i) if the NYMEX Price equals $2.50/MMBTU, the Landfill Gas Price will be: $2.50/MMBTU x 0.15 = $0.375/MMBTU.

(ii) if the NYMEX Price equals $4.50/MMBTU, the Landfill Gas Price will be: ($3.00/MMBTU x 0.15) plus (($4.50/MMBTU - $3.00/MMBTU) x 0.34) = $0.96/MMBTU.

(iii) if the NYMEX Price equals $6.50/MMBTU, the Landfill Gas Price will be: (($3.00/MMBTU x 0.15) plus (($6.00/MMBTU - $3.00/MMBTU) x 0.34) plus (($6.50/MMBTU - $6.00/MMBTU) x 0.50) = $1.72/MMBTU.

(b) If at any time after the Commercial Operations Date the City delivers to the Delivery Point Conforming Landfill Gas with an energy value of at least 600,000 MMBTUs over a calendar year, then the Landfill Gas Price for all Conforming Landfill Gas delivered over and above 600,000 MMBTUs (the "***Incremental Quantity***") shall be adjusted to the following:

- 15% of that portion of the NYMEX Price up to $3.00/MMBTU, plus
- 35% of that portion of the NYMEX Price over $3.00/MMBTU up to $6.00/MMBTU, plus
- 60% of that portion of the NYMEX Price over $6.00/MMBTU.

For example,

(i) if the NYMEX Price equals $2.50/MMBTU, the Landfill Gas Price for the Incremental Quantity will be: $2.50/MMBTU x 0.15 = $0.375/MMBTU.

(ii) if the NYMEX Price equals $4.50/MMBTU, the Landfill Gas Price for the Incremental Quantity will be: ($3.00/MMBTU x 0.15) plus (($4.50/MMBTU - $3.00/MMBTU) x 0.35) = $0.975/MMBTU.

(iii) if the NYMEX Price equals $6.50/MMBTU, the Landfill Gas Price for the Incremental Quantity will be: (($3.00/MMBTU x 0.15) plus (($6.00/MMBTU - $3.00/MMBTU) x 0.35) plus (($6.50/MMBTU - $6.00/MMBTU) x 0.60) = $1.80/MMBTU.

(c) If the price structure in paragraph (b) becomes effective in any calendar year (after the production of 600,000 MMBTUs in such year), the price structure in paragraph (a) shall resume beginning on January 1 of the following calendar year.

(d) No payment shall be due for any Landfill Gas delivered by the City that is not Conforming Landfill Gas or for any Conforming Landfill Gas that is not directed to the Transfer Point except as provided in Sections 4.3 and 5.3.

5.3 Minimum Purchase. Beginning nine (9) months after the Commercial Operations Date, in any calendar year during the Term in which the City has delivered at least 210,000 MMBTUs of Conforming Landfill Gas to the Delivery Point, Purchaser shall purchase 210,000 MMBTUs of Landfill Gas at the applicable Landfill Gas Price (the "***Minimum Purchase Amount***"). The City's delivery threshold and the Minimum Purchase Amount shall be prorated for any partial calendar year. If in any calendar year the City has delivered at least 210,000 MMBTUs of Conforming Landfill Gas to the Delivery Point but Purchaser has not purchased the Minimum Purchase Amount by December 31, then Purchaser shall make a payment to the City equal to (a) the difference between (i) the amount of Landfill Gas paid for by Purchaser in such year at the applicable Landfill Gas Price and (ii) the Minimum Purchase Amount, multiplied by (b) the Landfill Gas Price in effect during the last calendar quarter of the year. Purchaser shall make such payment together with its payment for December gas usage as required under Section 5.5. After the 15th anniversary of the Commercial Operations Date, the minimum purchase requirement under this Section 5.3 shall no longer be in effect.

5.4 Other Payments. Purchaser shall pay to the City any value received by Purchaser for tax credits, Renewable Energy Benefits or Emissions Credits as provided in Section 8.1 below. Purchaser shall ensure that all of its agreements are consistent with the terms of Section 8.1. The City shall make any payments owed to Purchaser based on the benefits listed under Section 8.1(a) or 8.1(d) within sixty (60) days after realizing the value of such benefits. Each of the Parties shall provide appropriate documentation to the other verifying the amount of any tax credits, Renewable Energy Benefits or Emissions Credits received.

5.5 Method of Payment. Purchaser shall send all Payments to the City at the following address (which the City may change by written notice to Purchaser): Public Works Director, City of Johnson City, Tennessee, 601 East Main Street, Johnson City, Tennessee 37601. Payments under Sections 5.2 and 5.4 shall be made for each calendar month starting with the Commercial Operations Date and for the remainder of the Term, within thirty (30) days after the end of the relevant month. Any payments due under Section 5.3 for a particular calendar year shall be made by January 30 of the following calendar year. With each Payment Purchaser shall furnish supporting documentation evidencing the amount of Landfill Gas delivered and taken, the NYMEX Price and Landfill Gas Price for the month.

5.6 Interest. Interest on all late Payments shall be calculated at the prime rate published from time to time in the Wall Street Journal, plus two percent (2%) per annum, from the date that amounts were originally due until paid in full.

5.7 Payment Disputes. Each Party shall be deemed to waive any dispute regarding a specific invoice or payment if such invoice or payment is not disputed within twenty four (24) Months of the date of such payment. If the City in good faith disputes any portion of a payment, the City shall advise Purchaser in writing of the particulars of such dispute. Purchaser and the City shall use good faith to resolve any such dispute. If all or any portion of the disputed amounts are determined to be due and owing to the City, Purchaser shall pay to the City such disputed amounts with interest pursuant to Section 5.6. If the dispute has not been resolved within thirty (30) days of the City's notice to Purchaser hereunder, either Party may seek such legal recourse as may be available at law or in equity.

5.8 Minimum Delivery. In the event that, between the Commercial Operations Date and the fifteenth (15th) anniversary of the Commercial Operations Date, the City is not able to deliver to the Delivery Point a minimum amount of 17,500 MMBTUS of Conforming Landfill Gas in a given calendar month, then no payment under Section 5.2 above shall be due to the City for such month. After the 15th anniversary of the Commercial Operations Date, the minimum delivery requirement under this Section 5.8 shall no longer be in effect.

6. **Taxes.**

The City shall pay or cause to be paid all taxes, assessments, and emission fees or similar payments imposed on the City with respect to the Landfill Gas prior to its direction to the Transfer Point, and Purchaser shall pay all taxes, assessments, and emission fees or similar payments imposed with respect to Landfill Gas after its receipt by Purchaser at the Transfer Point (inclusive of any sales taxes levied on the transfer of Landfill Gas hereunder). Neither Party shall be responsible or liable for any taxes or other statutory charges levied or assessed against any of the facilities or operations of the other Party used for the purpose of carrying out the provisions of this Agreement.

7. **Metering.**

7.1 Measurement, Sampling, and Analysis of Landfill Gas.

(a) Metering Equipment. Purchaser shall, at no cost to the City, install, operate, and maintain in accurate working order, two (2) sets of metering equipment mutually acceptable to both Parties, one located at the Delivery Point to measure the MMBTU content of Landfill Gas delivered to the Delivery Point and the other located at the Transfer Point to measure the MMBTU content of Landfill Gas directed by Purchaser to the Transfer Point and purchased by Purchaser. Purchaser shall use two flow meters, but may use one gas chromatograph to measure MMBTU content in the flows measured at each of the flow meters. The meters and chromatograph shall be mutually acceptable to the Parties. The City shall have access to the metering equipment, accompanied by a representative of Purchaser, at all reasonable times with reasonable advance notice to Purchaser.

(b) Meter Tests. At Purchaser's expense, Purchaser shall keep its metering equipment accurate and in repair, making such periodic tests as Purchaser deems necessary, but at least two (2) times during each calendar year. The testing shall be conducted using methods then standard in the landfill gas recovery industry. Purchaser shall give the City reasonable advance notice of any such test so that the City may have its representatives present. Upon determination by the City that there is a discrepancy between the City's and Purchaser's records that denote the quantity and quality of Landfill Gas delivered, the City may perform a special test of Purchaser's metering equipment or a test of the Landfill Gas. The expense of such special test shall be borne by the City if Purchaser's equipment is found to be accurate in measuring the quantity of the Landfill Gas delivered within the manufacturer's specifications for accuracy under the circumstances (the "***Accuracy Standard***"). If, upon any test, the equipment is found to be inaccurate so that it affects the quantity measurement accuracy by more than the Accuracy Standard, the expense of the special test shall be borne by Purchaser and meter readings shall be corrected for a period extending back to the time such inaccuracy first occurred if that time can be ascertained. If that time is not ascertainable, corrections shall be made for one half of the elapsed time since the previous meter calibration.

(c) Meter Out of Service. If, for any reason, Purchaser's metering equipment is out of service or out of repair so that the amount of Landfill Gas delivered by the City to Purchaser cannot be ascertained or corrected pursuant to Section 7.1(b), the City and Purchaser shall jointly estimate the quantity of Landfill Gas delivered based on deliveries during earlier periods under similar conditions when the metering equipment was registering properly. Purchaser shall restore the metering equipment to good working order or replace the equipment within twenty (20) days of the discovery of any malfunction.

8. Tax Credits, Renewable Energy Benefits, Emission Credits.

8.1 Sharing of Benefits. Any tax credits, Renewable Energy Benefits or Emission Credits shall be treated as follows:

(a) Section 29 Tax Credits. As between the Parties, any present or future tax credits, known today or unknown, conferred by any governmental entity and available for the production or sale of Landfill Gas at the Landfill, including but not limited to tax credits under Section 29 of the Internal Revenue Code, shall be the sole property of the City or its designee. If any such tax credits are or become available to the City as a result of the production or sale of Landfill Gas, then the City shall pay to Purchaser fifty percent (50%) of the value realized by the City from such tax credits or shared tax credits net of all reasonable transaction costs expended in realizing such value. The City shall use reasonable commercial efforts to monetize or otherwise realize the value of any such tax credits, but shall not be required to sell its facilities to do so.

(b) Section 45 Tax Credits. As between the Parties, any present or future tax credits, known today or unknown, conferred by any governmental entity and available for the beneficial use of Landfill Gas or Methane Gas, including but not limited to tax credits under Section 45 of the Internal Revenue Code, shall be the sole property of Purchaser or its designee. If any such tax credits are or become available to Purchaser as a result of the beneficial use of Landfill Gas or Methane Gas, or any Customer shares with Purchaser the value of any such Section 45 or other tax credits, then Purchaser shall pay to the City fifty percent (50%) of the value realized by Purchaser from such tax credits or shared tax credits net of all reasonable transaction costs expended in realizing such value. Purchaser shall use reasonable commercial efforts to monetize or otherwise realize the value of any such tax credits, but shall not be required to sell its facilities to do so.

(c) Renewable Energy Benefits. If any Renewable Energy Benefits are or become available to Purchaser as a result of the treatment, processing, or consumption of Landfill Gas or Methane Gas or the generation, transportation, and sale of energy produced therefrom, or any Customer shares with Purchaser the value of any Renewable Energy Benefits, then Purchaser shall pay to the City fifty percent (50%) of the value realized by Purchaser from the sale, claiming or sharing of Renewable Energy Benefits net of all reasonable transaction costs expended in realizing such value.

(d) Emissions Credits. If any Emissions Credits are or become available to the City as a result of the extraction or production of Landfill Gas, then such Emissions Credits shall be the sole property of the City, and the City shall pay to Purchaser fifty percent (50%) of the value realized by the City from the sale, claiming or sharing of Emissions Credits net of all reasonable transaction costs expended in realizing such value. If any Emissions Credits are or become available to Purchaser as a result of the treatment, processing, or consumption of Landfill Gas or Methane Gas or the generation, transportation, or sale of energy produced therefrom, or any Customer shares with Purchaser the value of any Emissions Credits, then Purchaser shall pay to the City fifty percent (50%) of the value realized by Purchaser from the sale, claiming or sharing of Emissions Credits net of all reasonable transaction costs expended in realizing such value.

(e) Other Benefits. If any other benefits conferred by any governmental entity or quasi-governmental entity become available to Purchaser as a result of the treatment, processing, or consumption of Landfill Gas or Methane Gas or the generation, transportation, or sale of energy produced therefrom, or any Customer shares with Purchaser the value of any such benefits, then Purchaser shall pay to the City fifty percent (50%) of the value realized by Purchaser from the sale, claiming or sharing of such benefits net of all reasonable transaction costs expended in realizing such value.

8.2 Conflict Between Benefits. If more than one of the above-described benefits is available to one of the Parties but one benefit cannot be claimed by a Party if another benefit is claimed by a Party, the Parties shall mutually determine which benefit offers more value to the Parties collectively and shall pursue realization of such benefit.

9. **Termination and Surrender.**

9.1 Purchaser's Permitted Termination. In addition to Purchaser's right to terminate for an Event of Default, Purchaser shall have the right to terminate this Agreement upon the occurrence of any of the following events:

(a) After the Commercial Operations Date the City fails for any reason (other than intentionally withholding of Landfill Gas in breach of this Agreement) for twelve (12) consecutive months to deliver at least 10,000 MMBTUs/Month of Landfill Gas to the Delivery Point.

(b) The Project becomes Not Economically Viable; provided, however, that Purchaser may not terminate this Agreement under this Section 9.1(b) unless and until Purchaser has provided the City with a notice not less than sixty (60) days prior to actual termination of Project operations containing a clear financial demonstration that the Project is Not Economically Viable, and the date on which Purchaser intends to discontinue Project operations.

(c) If for reasons other than its own lack of diligence, Purchaser has not achieved Commercial Operations by the Outside Commercial Operations Date.

The right of termination shall be Purchaser's sole remedy in the event of circumstances described in this Section 9.1; provided, however, that both Parties shall perform any obligations that accrued prior to termination of this Agreement, together with obligations regarding turnover or disposition of the Project set forth in Section 2.2 hereof and any other continuing obligations hereunder or under the Site Lease.

9.2 The City's Permitted Termination. In addition to the City's right to terminate for an Event of Default, the City shall have the right to terminate this Agreement upon the occurrence of any of the following events:

(a) If the Filing Date (application for all permits and approvals required for the construction of the Project) has not occurred by six months after the execution of this Agreement by both Parties.

(b) If for any reason Purchaser has not received all permits and approvals required by parties other than the City by twelve (12) months after the Filing Date, provided that Purchaser may extend this deadline by up to six (6) months by making the payment required under Section 5.1(a) hereof before the end of the original 12-month period.

(c) If for any reason Purchaser has not achieved Commercial Operations within twelve (12) months after the earlier of the Permit Receipt Date or the date that Purchaser begins excavation or construction of the Plant or the Pipeline, provided that Purchaser may extend this deadline by up to six (6) months by making the payment required under Section 5.1(b) hereof within twelve (12) months after the earlier of the Permit Receipt Date or the date that Purchaser begins excavation or construction of the Plant or the Pipeline.

(d) If the Site Lease is terminated by the City pursuant to its terms.

This right of termination shall be the City's sole remedy in the event of the circumstances described in this Section 9.2; provided, however, that both Parties shall perform any obligations that accrued prior to termination of this Agreement, together with any obligations regarding restoration of the site and turnover of the Project pursuant to Section 2.2 and any other continuing obligations hereunder or under the Site Lease.

10. Default and Termination.

10.1 Event of Default Defined. Any one or more of the following shall be an "***Event of Default***" under this Agreement:

(a) Failure by Purchaser to pay any amount due hereunder when due which failure continues for a period of thirty (30) days after written notice of such failure is given by the City.

(b) Failure by the City or Purchaser to observe or perform to a material extent any obligation hereunder, other than a payment default as described in the foregoing subsection (a), for a period of thirty (30) days after the non-defaulting Party has given written notice specifying such failure, requesting that it be remedied, and stating that it is a notice of default; provided, however, that, if the default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default until one hundred eighty (180) days after said default notice if corrective action is instituted by the Party in default within such thirty (30) days after the non-defaulting Party's notice and diligently pursued until the default is corrected. The foregoing notwithstanding, the defaulting Party shall remain liable to the other Party for any damages incurred during the period beginning on the date on which the failure of performance occurred through the date on which performance is cured.

(c) The institution by the City or Purchaser of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing of a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or similar official or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of action by any of them in furtherance of any such action. The foregoing notwithstanding, if any such proceeding is dismissed within ninety (90) days, such proceedings shall not create an Event of Default under this Agreement.

(d) Any material breach of any representation made in this Agreement by a Party that has a material adverse effect on the other Party.

(e) The Site Lease is terminated by either Party pursuant to its terms.

10.2 Termination Remedies on Default. In addition to any other right or remedy arising under law or equity, each Party shall have the right, by notice to the other Party, to terminate this Agreement if the other Party commits an Event of Default.

11. **Indemnification.**

11.1 Purchaser shall indemnify the City and its commissioners, officers, employees, agents, representatives, co-ventures, contractors, and servants from and against any and all claims, liabilities, suits, proceedings, judgments, orders, fines, penalties, damages, costs, and expenses (including, without limitation, costs of defense, settlement, and reasonable attorneys fees and expenses) arising out of an act or omission by Purchaser or its Affiliates, members, employees, agents, or contractors (and excluding any other third party not acting in any such capacity) related to:

(a) The activities, services, or operations of Purchaser under this Agreement, including without limitation, the construction, operation, and maintenance of the Plant and any associated equipment necessary to accept and use Landfill Gas after the Transfer Point;

(b) Any breach of any representation or warranty of Purchaser under this Agreement or any failure by Purchaser to comply with the applicable laws, regulations, rules, permits, or authorizations; or

(c) Any contamination of, injury or damage to, or adverse effect on persons, wildlife, vegetation, waters, air, land, property, or the environment caused by Purchaser or the Plant after the date of this Agreement, or

(d) The handling or disposition of any Landfill Gas or any constituent of the Landfill Gas after the Transfer Point.

11.2 Nothing in this Section 11 shall be construed so as to limit the City from exercising any of its rights or enforcing any of its available remedies arising out of any failure by Purchaser to observe or comply with any of its obligations hereunder. The provisions of this Section 11 shall survive the expiration or earlier termination of this Agreement.

12. Insurance

12.1 Purchaser shall, during the term of this Agreement, maintain insurance coverage in compliance with the requirements specified in Exhibit C.

12.2 The City shall ensure that Operator maintains during the Initial Term and any extension thereof, the types of insurance coverage with such policy limits required under the Operating Agreement.

13. Force Majeure.

13.1 If either Party is unable to carry out, either in whole or in part, its obligations herein contained due to an event of Force Majeure, such Party shall not be deemed in default during the continuation of such event.

13.2 Either Party, within two weeks after the occurrence of the Force Majeure, shall give the other Party written notice describing the particulars of the occurrence. The suspension of performance under this Agreement shall be of no greater scope and of no longer duration than is required by the Force Majeure. No obligations of either Party that arose prior to the occurrence causing the suspension of performance shall be excused as a result of the occurrence. A Party shall use its best efforts to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its obligations.

14. Warranties and Representations.

14.1 Purchaser's Representations and Warranties. Purchaser represents and warrants to the City as follows:

(a) Purchaser is a limited liability company duly organized and validly existing under the laws of the State of Indiana, certified to do business in the State of Tennessee, with full legal right, power, ability and authority to enter into and to fully and timely perform its obligations hereunder;

(b) Purchaser has duly authorized, executed, and delivered this Agreement, and this Agreement constitutes a legal, valid, and binding obligation, enforceable against Purchaser in accordance with its terms;

(c) In Purchaser's knowledge, neither the execution nor delivery by Purchaser of this Agreement, nor the performance by Purchaser of its obligations hereunder conflicts with, violates or results in a breach of any constitution, law, or governmental regulation applicable to it, or materially conflicts with, violates, or results in a breach of any term or condition of any order, judgment, decree, or any agreement or instrument to which Purchaser is a Party or by which Purchaser or any of its properties or assets are bound, or constitutes a default thereunder;

(d) No approval, authorization, order, consent, declaration, registration, or filing with any federal, state, or local governmental authority is required for the valid execution and delivery of this Agreement by Purchaser, except such as have been disclosed to the City and have been duly obtained or made;

(e) Other than as previously disclosed by Purchaser to the City in writing, Purchaser has no knowledge of any action, suit, or proceeding, at law or in equity, before or by any court or governmental authority, pending against Purchaser, in which an unfavorable decision, ruling, or finding would materially adversely affect the performance by Purchaser of its obligations hereunder, or that, in any way, would materially adversely affect the validity or enforceability of this Agreement. To its knowledge, Purchaser has disclosed to the City in writing all matters that might in any way affect its ability to perform each and every provision of this contract in a full and timely manner;

(f) Purchaser understands that it is assuming all risk regarding the quantity and quality of Landfill Gas available at the Landfill, subject to its right to payment relief under Section 5.8 and its right to terminate the Agreement under Section 9.1, and that the City has no obligation of any kind regarding the quantity or quality of Landfill Gas other than to deliver to the Delivery Point such Landfill Gas as is produced by the Collection System from time to time.

14.2 <u>The City's Representations and Warranties</u>. The City represents and warrants to Purchaser as follows:

(a) The City is a municipal corporation organized and existing under the laws of the State of Tennessee, with full legal right, power, and authority to enter into and to fully and timely perform its obligations hereunder;

(b) The City has duly authorized, executed, and delivered this Agreement and this Agreement constitutes a legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms; and

(c) The City shall have good title to all Landfill Gas delivered to Purchaser hereunder, free and clear of any encumbrances.

15. **Assignment**

15.1 Assignment by Purchaser. Purchaser shall not sell, encumber, assign or transfer this Agreement or any interest it may have herein without the prior written consent of the City, such consent not to be unreasonably withheld, delayed or conditioned. The City may withhold its consent if Purchaser's proposed assignee, transferee or purchaser is not a Qualified Designee, among other reasons. Purchaser may however, collaterally assign its interests under this Agreement and in the Project without the City's consent, to a lender providing financing for the Project, provided that such lender may not realize on its security and take possession of the Project unless it names a Qualified Designee to operate the Project. Any consent of the City to an assignment shall only be effective if given by the City by and through its Board of Commissioners. Purchaser shall submit any request for the City's consent to assignment to the City in writing. If the City fails to respond to Purchaser's request within ninety (90) days of the City's receipt of Purchaser's request, then the City shall be deemed to have consented to Purchaser's request. Any assignment or collateral assignment by Purchaser shall be subject to the City's right to take/purchase under Section 2.2 hereof.

15.2 Assignment by the City. The City may assign or transfer its rights and obligations under this Agreement to any successor owner of the Landfill without the consent of Purchaser if such successor owner agrees in writing to assume all of the City's obligations hereunder. Except as provided in the preceding sentence, the City shall not assign or transfer this Agreement without the prior written consent of Purchaser. Upon any such transfer of the City's rights hereunder, the City shall be relieved of any further obligation arising after the date of such transfer hereunder.

15.3 Change of Ownership. No change or division in ownership of the Landfill or assignment of the amounts due the City shall operate to enlarge the obligations or diminish the rights of Purchaser, and no change, division or assignment of such rights shall be binding upon Purchaser until thirty (30) days after Purchaser has been furnished with the original or a certified copy of the recorded instrument evidencing the same. No change or division in ownership of Purchaser or assignment of the amounts due to Purchaser to an affiliate shall operate to enlarge the obligations or diminish the rights of the City, and no change, division or assignment of such rights shall be binding upon the City until thirty (30) days after the City has given its consent to the extent provided above and has been furnished with the original or a certified copy of the instrument evidencing the same.

16. **Notices.**

Any notice to be given under this Agreement shall be in writing and shall be deemed to have been properly given and received (i) when delivered in person to the authorized representative of the Party to whom the notice is addressed, or (ii) on the date received as indicated on the return receipt when sent by prepaid certified or registered mail, return receipt requested, or by written telecommunication, to the Party to be notified at its address, as follows:

To Purchaser:	ESG Biofuels (JC), LLC c/o Energy Systems Group, LLC Attn: President 101 Plaza East Blvd., Suite 320 Evansville, Indiana 47715 Fax: (812) 475-2544
with a copy to:	Vectren Corporation 1 Vectren Square Evansville, IN 44708 Attn: Executive Vice President/General Counsel
and to:	Joel A. Goldberg, Esq. Porter & Hedges, L.L.P. 1000 Main Street, 36th Floor Houston, Texas 77002-6336 Fax: (713) 226-0261
To the City:	City Manager City of Johnson City, Tennessee 601 East Main Street Johnson City, Tennessee 37601 Fax: (423) 434-6295
with a copy to:	Public Works Director City of Johnson City, Tennessee 601 East Main Street Johnson City, Tennessee 37601 Fax: (423) 232-5966
and to:	City Attorney City of Johnson City, Tennessee 601 East Main Street Johnson City, Tennessee 37601 Fax: (423) 928-0207

Either Party may change such representative or address by written notice of said change of representative or address given to the other Party.

17. **Disputes.**

In the event of a dispute, either Party may bring a court action seeking damages or any other remedy at law or in equity. The Parties stipulate and agree that any such action shall be solely brought in the state courts of Washington County, Tennessee or the United States District Court for the Eastern District of Tennessee located in Greeneville, Tennessee, and hereby waive any objection to personal jurisdiction with respect to any action brought in such courts.

18. **General Provisions.**

18.1 Successors. The provisions of this Agreement shall inure to the benefit of and be binding upon the Parties and their respective heirs, executors, personal representatives, administrators, successors, permitted assigns and delegates.

18.2 Entire Agreement. This Agreement is intended by the Parties to constitute a complete and exclusive expression of the agreement between the Parties with respect to the subject matter of this Agreement and supercedes and replaces any prior agreements or representations between the Parties.

18.3 Modifications. This Agreement shall not be changed or modified except by a subsequent agreement in writing signed by both Parties.

18.4 Waiver. The waiver by either Party of any right or remedy in the event of a default by the other Party of any of the terms or conditions of this Agreement shall not be construed as a waiver of any other right or remedy, whether similar or dissimilar. Any waiver by a Party must be in writing and signed by an authorized representative of the Party.

18.5 Captions. Section captions are inserted for identification purposes only and are not a part hereof.

18.6 Choice of Law; Jurisdiction. This Agreement and any provisions contained herein shall be interpreted under the laws of the State of Tennessee without regard to principles of conflicts of law which would select another law.

18.7 Confidentiality. Each Party will, and will make reasonable efforts to ensure that its members, partners, directors, officers, employees, directors and agents will, hold in confidence all Confidential Information to the extent consistent with applicable law. However, Purchaser recognizes that the City is a public entity subject to right-to-know laws and similar legal requirements.

18.8 Further Assurances. Each party agrees to cooperate in all reasonable respects necessary to consummate the transactions contemplated by, and to carry out the intent of, this Agreement, including the execution and delivery of additional documents. Without limiting the generality of the foregoing, the City shall reasonably cooperate with Purchaser and a proposed lender in connection with Purchaser's construction and/or long-term financing for the Plant, including the furnishing of relevant information and the furnishing of a consent to the collateral assignment of this Agreement to such lender on terms consistent with this Agreement and reasonably satisfactory to the City, and such other matters as Purchaser and its lender may reasonably request, provided that the foregoing undertaking shall not obligate the City to materially change any rights or benefits, or materially increase any burdens, liabilities or obligations of the City under this Agreement.

18.9 Exhibits. The Exhibits to this Agreement are incorporated by reference into, and shall form part of this Agreement, and shall have full force and effect as though they were expressly set out in the body of this Agreement; provided, however, that in the event of any conflict between the terms, conditions and provisions of this Agreement and the Exhibits hereto, the terms of this Agreement shall prevail.

18.10 No Mineral Rights. This Agreement shall not be deemed to grant Purchaser any rights to interests in any underground mineral including, but not limited to oil, limestone, or other minerals located under the Landfill.

[Signatures on following page]

By the execution of this Agreement through their authorized representatives as indicated by their signatures below, the Parties have evidenced their agreement to the terms and conditions of this Agreement on the Effective Date.

CITY OF JOHNSON CITY, TENNESSEE
a municipal corporation organized and existing under the laws of the State of Tennessee

ATTEST:

Phil Pindzola

By: P. Paduch
Peter A. Paduch, Mayor

APPROVED AS TO FORM:

By: James H. Epps, III
City Attorney

ESG BIOFUELS (JC), LLC,
an Indiana limited liability company

WITNESS
Margaret A. Thomas

By: J L Adams
James L. Adams, President

STATE OF TENNESSEE
COUNTY OF WASHINGTON

On this 18th day of April, 2005, before me Juanita Phillips, the undersigned notary public, personally appeared Peter A. Paduch, the Mayor of the City of Johnson City, Tennessee, who acknowledged the foregoing instrument to be the free act and deed of Johnson City, Tennessee.

In witness whereof I hereunto set my hand and official seal.

Juanita Phillips
NOTARY PUBLIC
My commission expires: 7/25/2005

STATE OF INDIANA
COUNTY OF VANDERBURGH

On this 11th day of April, 2005, before me Carolyn A Alvis-Duff, the undersigned notary public, personally appeared James Adams, the President of Energy Systems Group, LLC and also President of ESG Biofuels (JC), LLC, who acknowledged the foregoing instrument to be the free act and deed of ESG Biofuels (JC), LLC.

In witness whereof I hereunto set my hand and official seal.

Carolyn A Alvis-Duff
NOTARY PUBLIC
My Commission Expires 04-08-08

[SIGNATURE PAGE TO LANDFILL GAS PURCHASE AND SALE AGREEMENT]

EXHIBIT A

IDENTIFICATION OF LANDFILL CELLS, DESCRIPTION OF PURCHASER'S FACILITIES AND DIAGRAM SHOWING DELIVERY POINT AND TRANSFER POINT

1. A plan indicating the landfill cells subject to this Agreement is attached hereto as Attachment A-1.

2. A preliminary drawing of Purchaser's Facilities and diagram is attached hereto as Attachment A-2. When Purchaser develops its final design, relevant final drawings or diagrams showing the Delivery Point and the Transfer Point shall be attached hereto as Attachment A-3, subject to the City's approval.

The original permit for the landfill is referred to as:

Registration Number: SNL 901040262

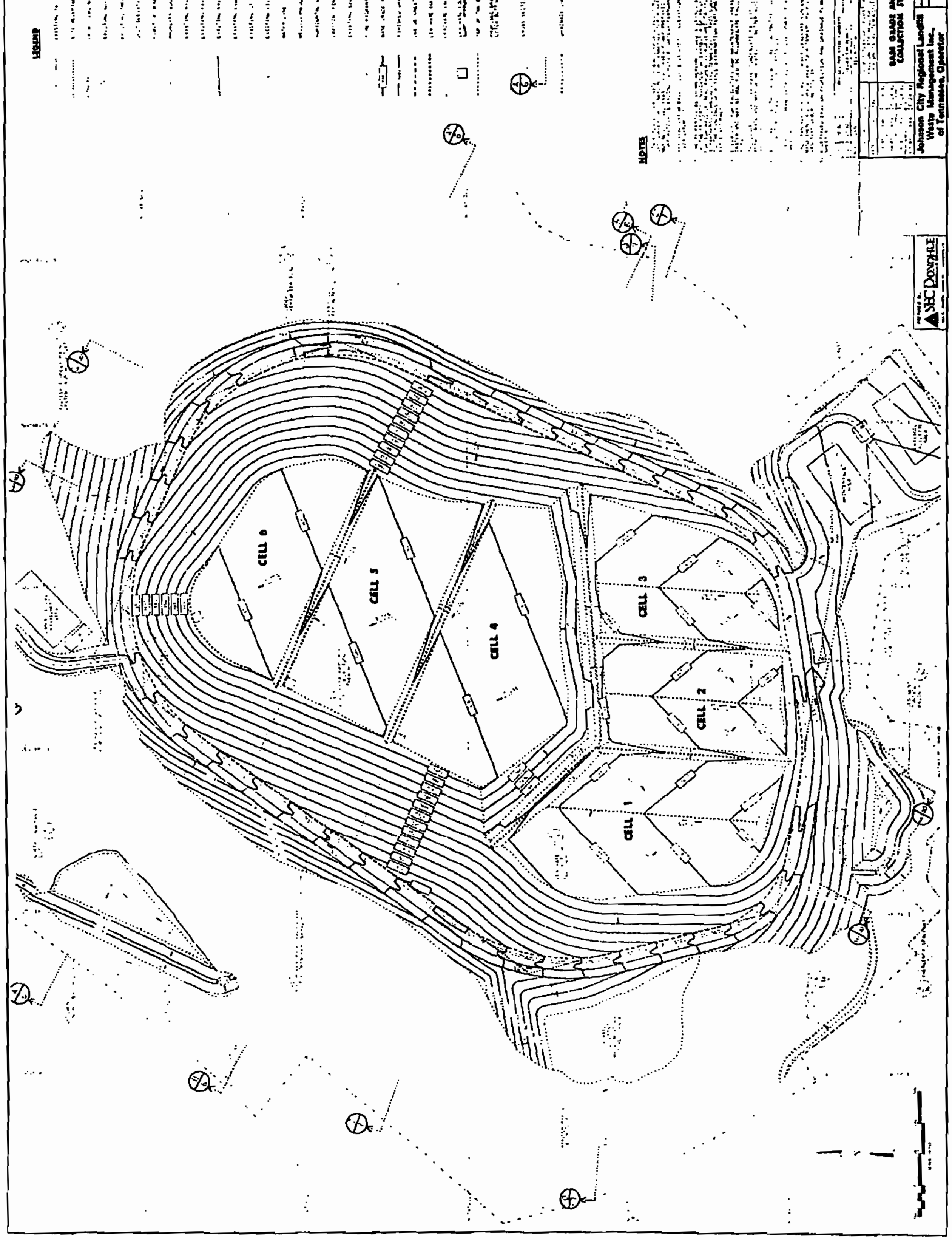
Date Issued: October 4, 1993

Activities Authorized: Disposal of non-hazardous solid waste in a Class I Disposal Facility

Issued by: State of Tennessee
Department of Environment and Conservation
Division of Solid Waste
Solid Waste Management Program

The facility and its operations may be amended from time to time.

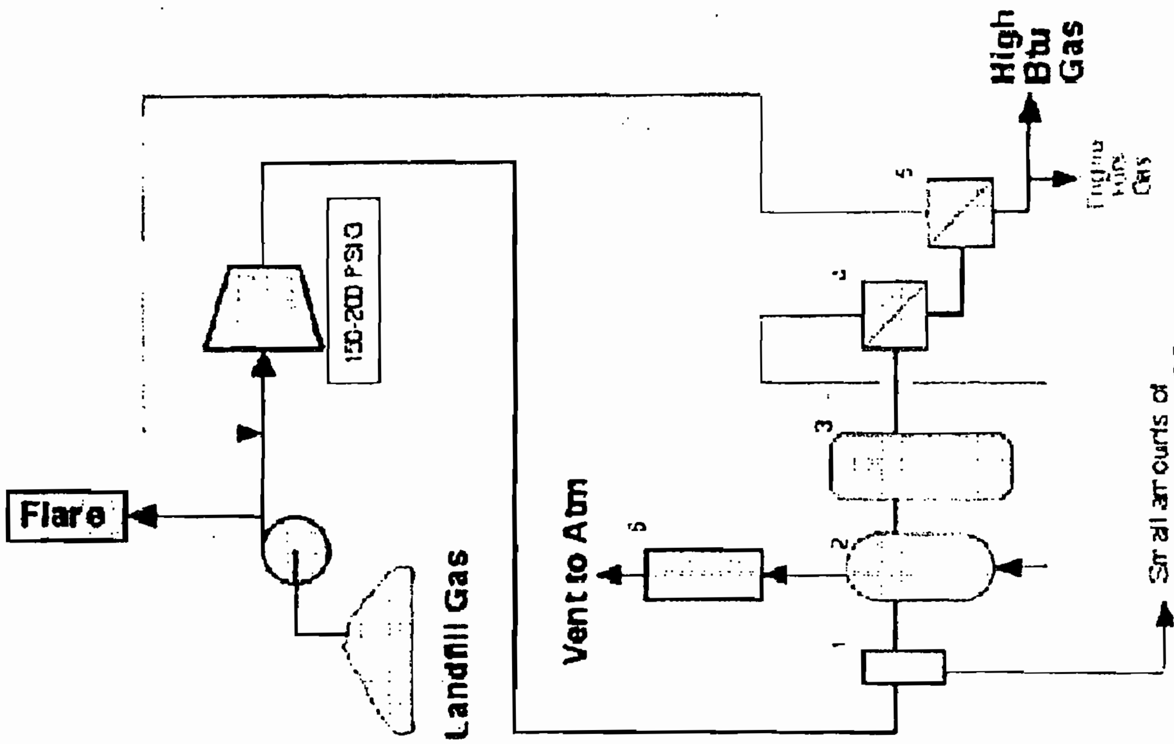
Attachment A-1



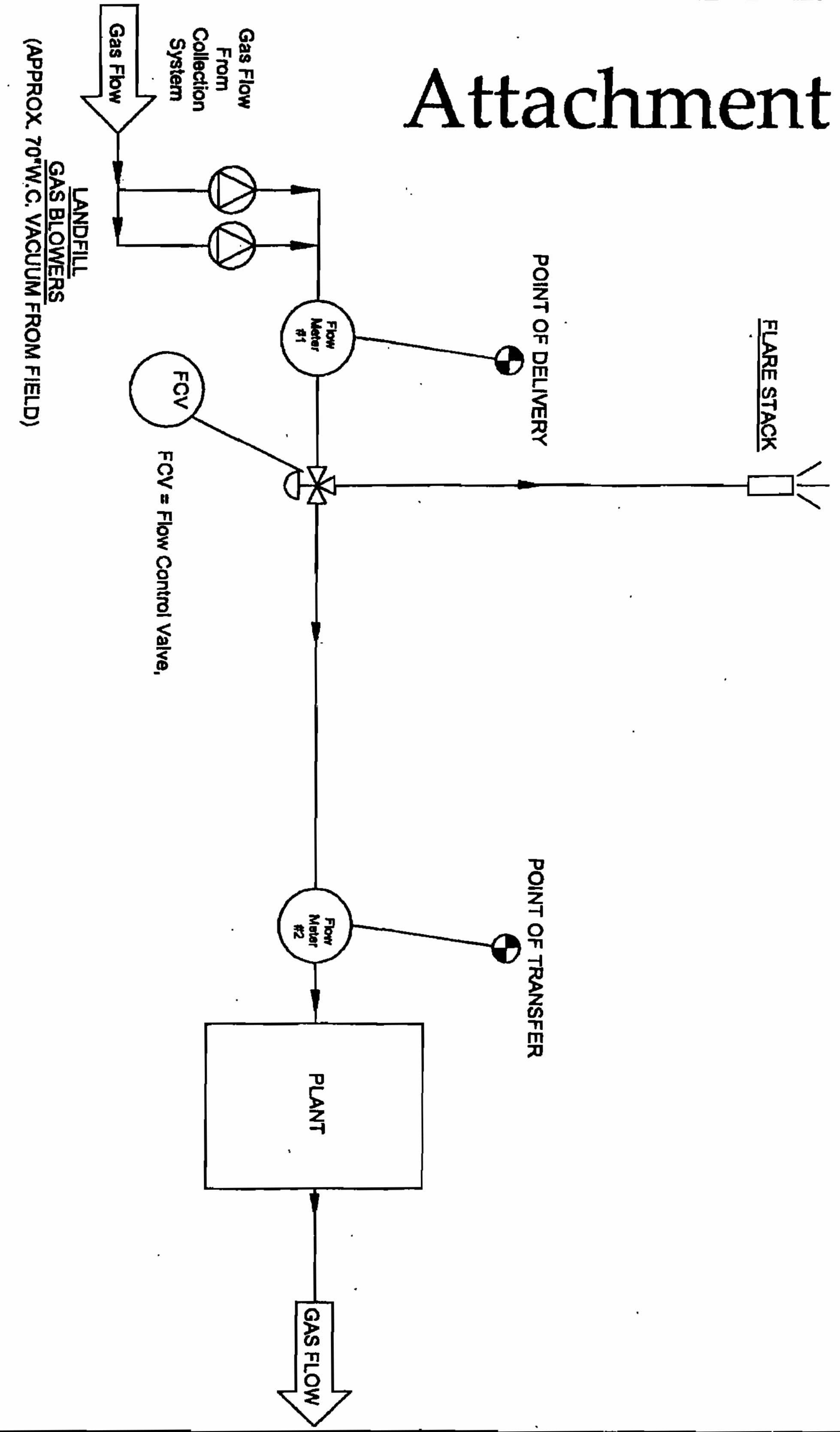
ESG LFG Process

Attachment A-2

Key:
1 Coalescers
2 Regenerable Adsorption
3 Carbon Polishing Beds
4 1st Stage Membrane
5 2nd Stage Membrane
6 Thermal Oxidizer or Flare



Attachment A-2



J.C. LANDFILL GAS PROJECT

EXHIBIT A

No.	REVISION DESCRIPTION	BY:	APP'D:	DATE
Δ				
Δ				
Δ				

ENERGY SYSTEMS GROUP LLC

DRAWN:

DESIGNED:

CHECKED:

SCALE:

CLIENT PROJ. No.

DRAWING No.

SHT. OF

EXHIBIT B

PROJECT SCHEDULE

Milestone	Deadline/Time for Completion
File permit applications ("***Filing Date***")	Six months from execution by both Parties
Receive all permits ("***Permit Receipt Date***")	12 months from the Filing Date
Scheduled Commercial Operations Date	12 months from the Permit Receipt Date
"Outside Commercial Operations Date"	6 months from the Scheduled Commercial Operations Date

EXHIBIT C

INSURANCE REQUIREMENTS

Purchaser shall obtain, and maintain at all times during the Term, insurance coverage in the following forms and amounts:

	Type of Coverage	**Minimum Limits**
1.	Workmen's Compensation	Statutory requirements
	Employer's Liability	\$100,000 per accident, \$100,000 per disease, \$500,000 per disease policy limit
2a.	Comprehensive General (Public) Liability, including the following:	
	Bodily Injury	Primary - \$1,000,000 each occurrence, \$2,000,000 aggregate Excess - \$5,000,000 each occurrence, \$10,000,000 aggregate
	Property Damage	\$2,000,000 each occurrence, \$4,000,000 aggregate
2b.	XCU coverage covering explosion, collapse, underground damage or blasting hazards where applicable.	
	Bodily Injury	Primary - \$1,000,000 each occurrence, \$2,000,000 aggregate Excess - \$5,000,000 each occurrence, \$10,000,000 aggregate

	Property Damage	$2,000,000 each occurrence, $4,000,000 aggregate
2c.	Products – Completed Operations Coverage until two years after substantial completion to be provided by endorsement or issuance of separate policy of insurance in name of the City.	$2,000,000 each occurrence, $4,000,000 aggregate
2d.	Contractual Liability insuring the Hold Harmless and Indemnification Agreement.	
	Bodily Injury	Primary - $1,000,000 each occurrence, $2,000,000 aggregate Excess - $5,000,000 each occurrence, $10,000,000 aggregate
	Property Damage	$1,000,000 each occurrence, $2,000,000 aggregate
2e.	Personal Injury limit	Primary - $1,000,000 each occurrence, $2,000,000 aggregate Excess - $5,000,000 each occurrence, $10,000,000 aggregate
2f.	Purchaser's/City's Protective Liability (if subcontractors are employed).	
	Bodily Injury	Primary - $1,000,000 each occurrence, $2,000,000 aggregate Excess - $5,000,000 each occurrence, $10,000,000 aggregate
	Property Damage	$2,000,000 each occurrence, $4,000,000 aggregate

3a., or	Automobile Liability	
	Bodily Injury	$1,000,000 each Person, $2,000,000 each accident
	Property Damage	$1,000,000 each accident
3b.	Combined Single Limit Bodily Injury/Property Damage	$3,000,000 each accident

Each of the foregoing policies shall provide for thirty (30) Days' prior written notice to the City in advance of any termination in coverage and shall name the City as an additional insured, except worker's compensation and employer's liability which shall provide ten (10) Days' prior written notice. Upon the request of the City, Purchaser shall provide to the City certificates of insurance to evidence that the required insurance coverage is in effect.

PLANT SITE LEASE

This Plant Site Lease (this ***"Lease")*** is entered into as of April 7, 2005 (the "***Effective Date***"), between THE CITY OF JOHNSON CITY, TENNESSEE ("***Lessor***"), a municipal corporation organized and existing under the laws of the state of Tennessee, and ESG BIOFUELS (JC), LLC ("***Lessee***"), an Indiana limited liability company.

PRELIMINARY STATEMENT

Lessor and Lessee are parties to that certain Landfill Gas Purchase and Sale Agreement dated of even date herewith (the "***Gas Agreement***"); and

Capitalized terms used but not otherwise defined in this Lease are as defined in the Gas Agreement.

NOW, THEREFORE, in consideration of their mutual covenants set forth below and other and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

ARTICLE I. DEMISE OF LEASED PREMISES

§ 1.01 Leased Premises. Lessor hereby leases and demises to Lessee, for the Lease Term, the premises situated at 1705 East Main Street, Johnson City, Tennessee, and described on **Exhibit A** hereto (the ***"Leased Premises"***). The Leased Premises consists of approximately 0.75 acres and is located within the Landfill property.

§ 1.02 Easements and other Rights of Access. Subject to the terms and conditions of this Lease, the Gas Agreement and the Operating Agreement, Lessor hereby grants to Lessee for the duration of the Lease Term a non-exclusive easement appurtenant to the leasehold interest granted under Section 1 above over portions of the Landfill property surrounding the Leased Premises as described in **Exhibit B** hereto for the purposes of gaining access and egress to the Leased Premises for Lessee's employees, agents, sub-licensees and invitees (the ***"Access Easement")***.

After construction of Purchaser's Facilities, the City shall grant to Purchaser, without further compensation from Purchaser, other non-exclusive easements appurtenant to the leasehold interest granted under Section 1 above over portions of the Landfill property surrounding the Leased Premises (the ***"Facility Easements")***, for the purposes of:

(a) constructing, operating, maintaining and owning the Pipeline;

(b) installing, maintaining and removing all improvements, equipment and facilities reasonably necessary or desirable for the construction and operation of Purchaser's Facilities as contemplated by the Gas Agreement, including connecting water, sewerage, electricity, telephone, gas and other services to the Leased Premises.

Together, the Access Easement and the Facility Easements are referred to herein as the "*Easements*".

In utilizing the property rights granted hereunder, Lessee shall refrain from taking any action or suffering any action to be taken that would be detrimental to the Landfill or its operations, including but not limited to harming the liner cells or any other component parts of the Landfill.

§ 1.03 Required Approvals for Pipeline Installation. The Parties recognize that Lessee may propose to route the Pipeline along public streets in order to connect it to facilities on a Customer's property. Prior to beginning installation of the Pipeline, Lessee shall obtain all approvals required by any governmental authority or authorities having jurisdiction over such public streets. Lessor shall use reasonable efforts to assist Lessee with obtaining such approvals.

§ 1.04 Warranty of Title. Lessor warrants that it is the owner of the Leased Premises in fee.

§ 1.05 Warranty of Quiet Enjoyment. Provided that Lessee pays the Rent and performs and observes all of its obligations and covenants under the Lease, Lessee shall and may peaceably and quietly hold, possess and enjoy the Leased Premises without any hindrance, interruption or disturbances from or by Lessor or any person claiming from, through, under or in trust for Lessor during the Lease Term.

§ 1.06 Condition of Premises. LESSEE ACCEPTS THE LEASE OF THE PREMISES HEREUNDER IN AN AS-IS CONDITION. LESSOR DISCLAIMS, AND LESSEE IRREVOCABLY WAIVES, ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, CONCERNING FITNESS OF THE PREMISES FOR A SPECIFIC PURPOSE OR USE.

§ 1.07 Subordination and Non-disturbance. Lessor shall use reasonable efforts to cause any current and future holder of any lien on the Leased Premises to execute and deliver to Lessee a subordination and non-disturbance agreement in form and substance reasonably acceptable to Lessee, and Lessee shall reimburse Lessor for reasonable out-of-pocket expenses it incurs related thereto. Lessor shall not be required to seek a subordination and non-disturbance agreement with respect to any lien or encumbrance that results from any action or omission of Lessee or anyone acting by or through Lessee.

ARTICLE 2. LEASE TERM

The term of this Lease shall end upon the expiration or earlier termination of the Gas Agreement (the "*Lease Term*").

ARTICLE 3. RENT

During the Lease Term, Lessee will pay Lessor $10.00 per year as annual rent ***("Rent")*** for using and occupying the Leased Premises. Lessee will duly and punctually pay all Rent due under the Lease to Lessor by January 1 of each year in lawful money of the United States at

Lessor's address set out in § 13.04 hereof or as Lessor may otherwise direct in writing from time to time.

ARTICLE 4. TAXES

During the Lease Term, Lessee will pay all real estate and personal property taxes, charges, assessments of every kind (whether municipal or otherwise) taxed, charged, assessed or imposed on Purchaser's Facilities or other personal property of Lessee installed, erected or placed on the Leased Premises, any taxes, charges or assessments imposed on Lessor by any other governmental authority as a result of the rights granted hereunder to Lessee or the business activities of Lessee (together, "***Taxes***"). If any Taxes remain unpaid and uncontested later than 14 days after they become delinquent, Lessor may give written notice to Lessee of its default under this Article 4, specifying the default. If Lessee still has not paid or contested in good faith the Taxes within 10 days after the written notice, Lessor may pay the Taxes specified in the notice, and on demand Lessee will promptly reimburse Lessor for any amount paid by Lessor. Lessee will defend, indemnify and hold harmless Lessor from and against any and all Taxes or any actions to recover Taxes brought by any taxing authority. Lessee may contest any Taxes in good faith and at its own expense, but must pay any amount of Taxes finally determined to be due, plus any penalties and interest imposed.

ARTICLE 5. UTILITIES

Lessee will punctually pay, discharge and satisfy all gas, telephone, electricity and power charges and other like payments charged on or in respect of the Leased Premises ("***Utility Payments***"). If Lessee defaults in payment of any Utility Payments, in addition to any other available remedies, Lessor may (but shall not be required to do so) pay the same and in addition to Lessor's other rights, powers and remedies under the Lease may recover the same from Lessee.

ARTICLE 6. USE OF LEASED PREMISES

§ 6.01 Permitted Use. Lessee shall not use the Leased Premises for any purpose other than for the installation, operation and maintenance of the Plant and associated works or activities, as provided in the Gas Agreement; provided, however, that Lessor consents to Lessee granting an easement over a portion of the site to Operator for the purpose of the Operator to access leachate tanks. Lessee agrees to grant such easement to Operator at no cost to the Operator.

§ 6.02 Compliance with Laws and Notices. At Lessee's cost and expense, Lessee shall, in all respects (a) comply with and observe all laws, statutes, rules, regulations, ordinances, restrictions and other matters of record that are from time to time in force affecting or relating to the Leased Premises, or Lessee's business, occupation or activity carried on at the Leased Premises, including but not limited to ensuring that the Site is kept free of contamination by any hazardous wastes, materials or substances, as defined under applicable federal or state law, caused by Lessee or any party acting by, through or under Lessee, (b) comply with and observe all notices, orders or directions given to Lessor or Lessee in respect of the Leased Premises by any governmental authority or other authorized third party having jurisdiction over the Leased Premises, and (c) carry out the requirements thereof at Lessee's cost and expense in all respects.

ARTICLE 7. CONSTRUCTION BY LESSEE

§ 7.01 Construction of Plant. Lessee may during the Lease Term construct the Plant on the Leased Premises in conformance with the Gas Agreement.

§ 7.02 Utility Easements. To provide for the more orderly development of the Leased Premises, it may be necessary, desirable, or required that street, water, sewer, drainage, gas, power lines, and other easements and dedications and similar rights be granted or dedicated to utilities over or within portions of the Leased Premises. Lessor shall reasonably cooperate with Lessee in Lessee's efforts to obtain such rights, including but not limited to executing and delivering documents reasonably required by Lessee, from time to time, and throughout the Lease Term; provided, however, that Lessor shall not be required to take any actions or grant any rights that might impact in any way the ability of Lessor or Operator to operate the Landfill.

§ 7.03 Zoning. Lessee shall be solely responsible for obtaining any and all zoning approvals and other permits and approvals required for the development of its Project. Lessor shall use reasonable efforts to respond promptly to Lessee with respect to applications for such permits and approvals, consistent with applicable law.

§ 7.04 Alterations. Lessee shall not make nor suffer to be made any structural or external installation, improvement, modification, alteration or addition to the Leased Premises other than the installation of the improvements and other works that the Lessee is authorized to carry out on the Leased Premises pursuant to the Gas Agreement and that are not detrimental to the Landfill or Landfill operations.

§ 7.05 Title to Plant. All equipment comprising the Plant shall be the property of Lessee, subject to the provisions of Section 2.2 of the Gas Agreement.

ARTICLE 8. REPAIRS, MAINTENANCE AND REMOVAL

At all times during the Lease Term, Lessee will keep and maintain, or cause to be kept and maintained, all such improvements, fittings and fixtures as Lessee may erect on the Leased Premises pursuant to the Gas Agreement in reasonable repair and condition having regard to their nature and permitted use, except for reasonable wear and tear and damage by fire, storm, flood or earthquake or any action on the part of municipal authorities or of the tenants or owners of any adjacent property. Subject to Section 2.2 of the Gas Agreement, Lessee shall take and remove all elements of the Project that Lessor does not elect to take or acquire, and leave the Site in a commercially reasonable condition within ninety (90) days after the expiration or earlier termination of this Lease. Whether or not Lessor takes title to any components of the Project, Lessee shall ensure that the Site is left in compliance with all applicable laws and free of contamination by any hazardous wastes, materials or substances caused by Lessee or any party acting by, through or under Lessee, under applicable federal or state law. Lessee's obligations under the last two sentences of this Article 8 shall continue after the expiration or termination of the Lease until such obligations are fulfilled.

ARTICLE 9. INSURANCE

Lessee will take out and maintain, for the duration of the Lease Term, the insurance policies that Lessee is required to take out and maintain in current status pursuant to the Gas Agreement.

ARTICLE 10. ASSIGNMENT

§ 10.01 Assignment by Lessee. Lessee shall not transfer, assign, mortgage, encumber, sublet, underlet, grant any license to use, or part with possession of the Leased Premises or the Lease or any estate or interest herein except in conjunction with an assignment of Lessee's rights and obligations under the Gas Agreement that is consented to by Lessor pursuant to the Gas Agreement.

§ 10.02 Assignment by Lessor. Lessor shall not assign or transfer this Lease without the prior written consent of Lessee, except that Lessor may assign or transfer its rights and obligations under this Lease to any successor owner of the Landfill without the consent of Lessee if such successor owner agrees in writing to assume all of Lessor's obligations hereunder. Upon any such transfer of Lessor's rights hereunder, Lessor shall be relieved of any further obligation hereunder.

ARTICLE 11. DEFAULT AND TERMINATION

If Lessee materially breaches any of its obligations under this Lease, Lessor may send Lessee written notice specifying the breach. If Lessee fails to cure the breach within thirty (30) days after its receipt of Lessor's written notice, then in any and all other rights available to Lessor at law or in equity, Lessor shall have the right to immediately terminate this Lease.

ARTICLE 12. REENTRY UPON TERMINATION

Upon the expiration or termination of the Lease, Lessor may re-enter upon the Leased Premises or any part in the name of the whole and peaceably hold and enjoy after that as if the Lease had not been made without prejudice to any right of action or remedy which either party may have in respect of any breach or default under the Lease and without prejudice to any rights which either party may have upon or following termination of the Gas Agreement.

ARTICLE 13. GENERAL PROTECTIVE PROVISIONS

§ 13.01 Right of Entry and Inspection. Lessee must permit Lessor to enter upon the Leased Premises during normal business hours for the purpose of satisfying Lessor that Lessee is complying with the terms of the Lease or at any time for the purpose of preventing injury or damage to persons or property in the event of an emergency; provided, that Lessor shall give reasonable notice of any such entry except in the case of emergency, and shall not interfere with the conduct of Lessee's business.

§ 13.02 No Partnership or Joint Venture. The relationship between Lessor and Lessee is at all times solely that of Lessor and Lessee and shall not be deemed a partnership or a joint venture.

§ 13.03 No Waiver. The waiver by either party of any right or remedy in the event of a default by the other party of any of the terms or conditions of this Lease shall not be construed as a waiver of any other right or remedy, whether similar or dissimilar. Any waiver by a party must be in writing and signed by an authorized representative of the party.

§ 13.04 Notice. All notices and other communications hereunder will be in writing or by written telecommunication, and will be deemed to have been duly given if delivered personally or if mailed by certified mail, return receipt requested or by written telecommunication, to the address set forth below, or to such other address as the recipient of such notice or communication will have specified to the other party hereto in accordance with this § 13.04.

To Lessor:

City Manager
City of Johnson City, Tennessee
601 East Main Street
Johnson City, Tennessee 37601
Fax: (423) 434-6295

with a copy to:

Public Works Director
City of Johnson City, Tennessee
601 East Main Street
Johnson City, Tennessee 37601
Fax: (423) 232-5966

and to:

City Attorney
City of Johnson City, Tennessee
601 East Main Street
Johnson City, Tennessee 37601
Fax: (423) 928-0207

To Lessee:

ESG Biofuels (JC), LLC
c/o Energy Systems Group, LLC
101 Plaza East Blvd., Suite 320
Evansville, Indiana 47715
Attn: President
Fax: (812) 475-2544

with a copy to:

Vectren Corporation
1 Vectren Square
Evansville, IN 44708
Attn: Executive Vice President/General Counsel

and to:

Porter & Hedges, LLP
1000 Main Street, 36th Floor
Houston, Texas 77002
Attn: Joel Goldberg
Fax: (713) 226-0261

ARTICLE 14. COVENANT TO PAY

Lessee covenants that throughout the Lease Term, Lessee shall reimburse Lessor upon demand for all moneys, costs (including charges for consultants, architects and legal advice and assistance), charges and expenses which Lessor may pay, incur or expend (a) as a consequence of any breach by Lessee of an obligation contained herein or in the Gas Agreement, or (b) under or in exercise or enforcement of any right, power or remedy herein contained, or (c) in consequence of any request by Lessee for Lessor's consent or approval where such consent or approval is required under any covenant, condition or agreement contained in this Lease.

ARTICLE 15. MECHANICS' LIENS

Lessee shall not allow any mechanic's lien or other lien related to Lessee's activities to be placed on the Leased Premises. If any contractor or material supplier of Lessee shall record any lien against the real or personal property of Lessor, Lessee shall bond the lien, remove the lien by any other means, or cause the lien to be removed within thirty (30) days of the recording of the lien. If Lessee fails to bond the lien or remove the lien from the public records within such thirty (30) day period, Lessor may, at its option and at Lessee's sole expense, take one or more of the following actions: (1) take whatever course of action Lessor deems appropriate and expedient to retain counsel; (2) remove the lien from the public records; (3) clear title; (4) recover any property, real or personal, sold or held to satisfy the lien; or (5) upon an additional thirty (30) days notice to Lessee and opportunity to cure, terminate this Lease.

ARTICLE 16. MEMORANDUM OF LEASE

Upon the request of either party, Lessor and Lessee shall execute and cause to be recorded a Memorandum of Lease.

[This space intentionally left blank]

WHEREFORE, the parties have hereunto set their hands, by their authorized representatives, the date and year first above written.

LESSOR:

CITY OF JOHNSON CITY, TENNESSEE
a municipal corporation organized and existing under the laws of the State of Tennessee

ATTEST:

Phil Pindzola

By: P. Paduch

Peter A. Paduch, Mayor

APPROVED AS TO FORM:

By: James H. Epps, III
City Attorney

LESSEE:

ESG BIOFUELS (JC), LLC,
an Indiana limited liability company

WITNESSES:

Margaret A. Thomas

By: J L Adams

James L. Adams
President

ESG BIOFUELS (JC), LLC/JOHNSON CITY
PLANT SITE LEASE

[SIGNATURE PAGE TO PLANT SITE LEASE]

STATE OF TENNESSEE
COUNTY OF WASHINGTON

On this 18th day of April, 2005, before me, Juanita Phillips the undersigned notary public, personally appeared Peter A. Paduch, the Mayor of the City of Johnson City, Tennessee, who acknowledged the foregoing instrument to be the free act and deed of Johnson City, Tennessee.

In witness whereof I hereunto set my hand and official seal.

Juanita Phillips
NOTARY PUBLIC
My commission expires: 7/25/2005

STATE OF INDIANA
COUNTY OF VANDERBURGH

On this 11th day of April, 2005, before me, Carolyn A. Alvis-Duff the undersigned notary public, personally appeared James Adams, the President of ESG Biofuels (JC), LLC, who acknowledged the foregoing instrument to be the free act and deed of ESG Biofuels (JC), LLC.

In witness whereof I hereunto set my hand and official seal.

Carolyn A. Alvis-Duff
NOTARY PUBLIC
My Commission Expires 04-08-08

EXHIBIT "A"

Legal Description of the Leased Premises

A PORTION OF THE CITY OF JOHNSON CITY PROPERTY UPON WHICH IS LOCATED THE IRIS GLEN ENVIRONMENTAL CENTER:

TO FIND THE POINT OF BEGINNING, COMMENCE AT A CONCRETE MONUMENT, THE SOUTHWESTERLY CORNER OF THE CITY PROPERTY: THENCE; NORTH 11 DEGREES 18 MINUTES 19 SECONDS WEST – 744.31 FEET TO A POINT ON THE WESTERLY EDGE OF A 30 FOOT TRANSPORTATION EASEMENT ON THE WESTERLY SIDE OF THE EXISTING HAUL ROAD OF THE IRIS GLEN ENVIRONMENTAL CENTER, THE POINT OF BEGINNING.

THENCE; LEAVING THE HAUL ROAD, SOUTH 71 DEGREES 23 MINUTES 59 SECONDS WEST – 93.37 FEET TO A STAKE ON THE TOP OF A BANK.

THENCE; ALONG THE TOP OF THE BANK, NORTH 39 DEGREES 32 MINUTES 37 SECONDS WEST – 175.32 FEET TO AN EXISTING POWER POLE.

THENCE; NORTH 34 DEGREES 00 MINUTE 13 SECONDS WEST – 75.80 FEET TO A STAKE.

THENCE; ROUGHLY PARALLELLING THE EXISTING TANK AND CONCRETE DYKE STRUCTURE, NORTH 77 DEGREES 28 MINUTES 47 SECONDS EAST – 193.16 FEET TO A POINT IN THE WESTERLY TRANSPORTATION EASEMENT AT THE HAUL ROAD, PASSING A 30 FOOT EASEMENT FOR ACCESS TO THE BURNER FOR CONSTRUCTION AND MAINTENANCE.

THENCE; ALONG THE HAUL ROAD SOUTH 14 DEGREES 23 MINUTES 47 SECONDS EAST – 216.94 FEET TO THE POINT OF BEGINNING. CONTAINING 0.749 ACRE, MORE OR LESS.

PROPERTY DESCRIBED AS A PORTION OF THAT PROPERTY DESIGNATED AS TAX MAP 47, PARCEL 21.0 AT THE WASHINGTON COUNTY, TENNESSEE TAX ASSESSOR'S OFFICE IN JONESBOROUGH, TENNESSEE.
DEED REFERENCE: ROLL 14, IMAGE 2030.

EXHIBIT "B"

Access Easement Description

TO FIND THE POINT OF BEGINNING, COMMENCE AT THE NORTHERLY RIGHT OF WAY OF EAST MAIN STREET WHERE IT INTERSECTS WITH THE CENTERLINE OF THE EXISTING MAIN ENTRANCE DRIVEWAY TO THE IRIS GLEN ENVIRONMENTAL CENTER, SAID POINT LYING NORTH 75 DEGREES 29 MINUTES 40 SECONDS EAST – 182.28 FEET, OF THE SOUTHWESTERLY CORNER OF THE CITY OF JOHNSON CITY PROPERTY NEAR THE EXISTING FENCE CORNER.

THENCE: THE TRANSPORTATION EASEMENT, BEING 30 FEET IN WIDTH, AND LYING 15 FEET EACH SIDE OF THE FOLLOWING DESCRIBED CENTERLINE, NORTH 36 DEGREES 39 MINUTES 38 SECONDS WEST – 141.74 FEET TO A POINT IN THE EXISTING CENTERLINE OF THE ASPHALT DRIVE.

THENCE: CONTINUING ALONG THE EXISTING DRIVE ALONG A CURVE TO THE RIGHT, HAVING A RADIUS OF 88.21 FEET AND A TANGENT OF 55.48 FEET FOR A LENGTH OF 99.05 FEET TO A POINT.

THENCE: NORTH 36 DEGREES 45 MINUTES 39 SECONDS EAST – 103.28 FEETTO A POINT.

THENCE: ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 615.75 FEET AND A TANGENT OF 35.73 FEET, FOR A LENGTH OF 71.39 FEET TO A POINT.

THENCE: NORTH 28 DEGREES 51 MINUTES 53 SECONDS EAST – 87.30 FEET TO A POINT.

THENCE: ALONG A CURVE TO THE LEFT WITH A RADIUS OF 81.26 FEET AND A TANGENT OF 241.47, FOR A LENGTH OF 202.53 FEET TO A POINT.

THENCE: SOUTH 75 DEGREES 26 MINUTES 16 SECONDS WEST – 144.61 FEET TO A POINT.

THENCE: SOUTH 83 DEGREES 56 MINUTES 27 SECONDS WEST – 133.26 FEET TO A POINT.

THENCE: ALONG A CURVE TO THE RIGHT WITH A RADIUS OF 185.92 FEET AND A TANGENT OF 61.99 FEET FOR A LENGTH OF 119.67 FEET TO A POINT.

THENCE: NORTH 60 DEGREES 01 MINUTE 59 SECONDS WEST – 38.47 FEET TO A POINT.

THENCE: ALONG A CURVE TO THE LEFT WITH A RADIUS OF 213.97 FEET AND A TANGENT OF 65.77 FEET FOR A LENGTH OF 127.62 FEET TO A POINT.

THENCE: SOUTH 81 DEGREES 18 MINUTES 19 SECONDS WEST – 293.62 FEET TO A POINT.

THENCE: ALONG A CURVE TO THE RIGHT WITH A RADIUS OF 758.35 AND A TANGENT OF 99.38 FOR A LENGTH OF 197.63 FEET TO A POINT.

THENCE: NORTH 80 DEGREES 37 MINUTES 27 SECONDS WEST – 233.10 FEET AND PASSING THE END OF THE EXISTING ASPHALT ROAD ONTO A GRAVEL ROAD TO A POINT IN THE EXISTING GRAVEL ROAD.

THENCE: ALONG THE CENTERLINE OF THE EXISTING GRAVEL ROAD, ALONG A CURVE TO THE RIGHT WITH A RADIUS OF 332.67 FEET AND A TANGENT OF 149.48 FEET FOR A LENGTH OF 280.98 FEET TO A POINT.

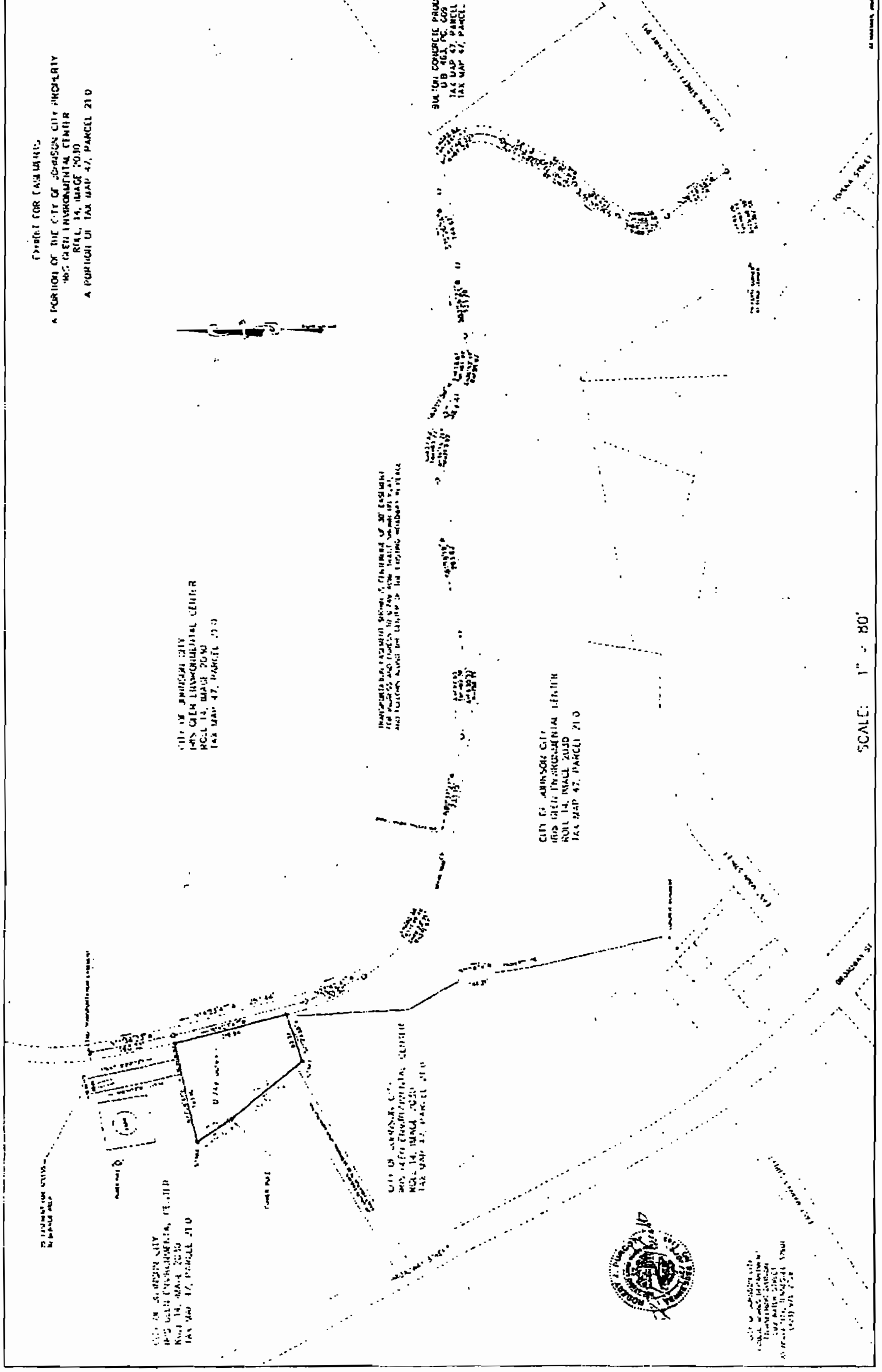
THENCE: NORTH 22 DEGREES 42 MINUTES 41 SECONDS WEST – 120.50 FEET TO A POINT.

THENCE: NORTH 14 DEGREES 23 MINUTES 47 SECONDS WEST – 257.44 FEET TO A POINT. THIS CALL LYING ADJACENT TO THE 0.749 ACRE PROPERTY LEASE EASEMENT.

THENCE: NORTH 11 DEGREES 36 MINUTES 23 SECONDS WEST – 160.02 FEET TO A POINT IN THE EXISTING CENTERLINE OF THE GRAVEL HAUL ROAD, THIS POINT BEING THE TERMINUS OF THE PROPOSED TRANSPORTATION EASEMENT.

THIS PROPERTY BEING A PORTION OF THE CITY OF JOHNSON CITY PROPERTY DESIGNATED AS TAX MAP 47, PARCEL 21.0 IN THE WASHINGTON COUNTY TAX ASSESSOR'S OFFICE IN JONESBOROUGH, TENNESSEE. DEED REFERENCE: ROLL 14, IMAGE 2030 IN THE REGISTRAR'S OFFICE.

Schematic of Exhibits A and B



GUARANTY AGREEMENT

This Guaranty Agreement (the "***Guaranty***") is made by Energy Systems Group, LLC, an Indiana limited liability company ("***Guarantor***"), in favor of the City of Johnson City, Tennessee, a municipal corporation organized and existing under the laws of the State of Tennessee ("***Counterparty***").

WHEREAS, ESG Biofuels (JC), LLC ("***Company***"), an Indiana limited liability company, and Counterparty are parties to the Landfill Gas Purchase and Sale Agreement dated as of April 7, 2005 (the "***Gas Agreement***"), and the Plant Site Lease dated as of April 7, 2005 (the "***Site Lease***"), copies of which are attached hereto as Exhibit A (collectively, the Gas Agreement and the Site Lease referred to herein as the "***Agreements***");

WHEREAS, Guarantor is the direct or indirect parent of Company, will receive substantial and direct benefits from the extensions of credit contemplated by the Agreements and has agreed to enter into this Guaranty to provide assurance for the performance of Company's obligations in connection with the Agreements and to induce the Counterparty to enter into the Agreements; and

WHEREAS, the execution and delivery of this Guaranty is a condition to Counterparty's further performance of its obligations under the terms of the Agreements.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. Guaranty. Guarantor hereby unconditionally and absolutely guarantees Company's performance of its obligations under the Agreements, as such Agreements may be amended or modified from time to time (collectively, the "***Guaranteed Obligations***"); provided, however, that the total liability of Guarantor hereunder, regardless of any amendment or modification to any Agreements, is limited to the lesser of (a) all amounts owed by Company to Counterparty under such Agreements or (b) $1,000,000.00 (One Million and NO/00 U.S. Dollars) ("***Liability Cap***"). Guarantor's obligations and liability under this Guaranty shall be limited to the Guaranteed Obligations only, subject to the Liability Cap. Guarantor shall have no obligation to perform any of Company's obligations above and beyond the Liability Cap.

2. Guaranty Absolute. The liability of Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of or defect or deficiency applicable to Company in any Agreements or other documents executed in connection with the Agreements; or

(b) any modification, extension or waiver of any of the terms of any Agreements; or

(c) any change in the time, manner, terms or place of payment of or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from any Agreements or any other agreement or instrument executed in connection therewith; or

(d) except as to applicable statutes of limitation, any failure, omission, delay, waiver or refusal by Counterparty to exercise, in whole or in part, any right or remedy held by Counterparty with respect to any Agreements or any transaction under any Agreement; or

(e) any change in the existence, structure or ownership of Guarantor of Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Company or its assets.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations are annulled, set aside, invalidated, declared to be fraudulent or preferential, rescinded or must otherwise be returned, refunded or repaid by Counterparty upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Company or any other guarantor, or upon or as a result of the appointment of a receiver or conservator of, or trustee for Company or any other guarantor or any substantial part of its property or otherwise, all as though such payment or payments had not been made.

3. Waiver. As to Company's payment obligations under the Agreements, this is a guaranty of payment and not of collection. Guarantor hereby waives:

(a) notice of acceptance of this Guaranty, of the creation or existence of any of the Guaranteed Obligations and of any action by Counterparty in reliance hereon or in connection herewith;

(b) notice of the entry into any Agreements between Company and Counterparty and of any amendments, supplements or modifications thereto; or any waiver of consent under any Agreement, including waivers of the payment and performance of the obligations thereunder;

(c) notice of any increase, reduction or rearrangement of Company's obligations under any Agreements or any extension of time for the payment of any sums due and payable to the Counterparty under any Agreements;

(d) except as expressly set forth herein, presentment, demand for payment, notice of dishonor or nonpayment, protest and notice of protest or any other notice with respect to the Guaranteed Obligations; and

(e) any requirement that suit be brought against, or any other action by Counterparty be taken against, or any notice of default or other notice be given to, or any demand be made on Company or any other person, or that any other action be taken or not taken as a condition to Guarantor's liability for the Guaranteed Obligations under this Guaranty or as a condition to the enforcement of this Guaranty against Guarantor.

4. **Expenses**. Subject to the limit on Guarantor's liability hereunder set forth in Section 1, Guarantor agrees to pay on demand any and all out-of-pocket costs, subject to the Liability Cap, including reasonable legal fees and expenses, and other expenses incurred by Counterparty in enforcing Guarantor's payment obligations under this Guaranty; provided that the Guarantor shall not be liable for any expenses of Counterparty if it is not successful in such enforcement action.

5. **Subrogation**. Guarantor shall be subrogated to all rights of Counterparty against Company in respect of any amounts paid by Guarantor pursuant to the Guaranty, provided that Guarantor waives any rights it may acquire by way of subrogation under this guaranty, by any payment made hereunder or otherwise (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. § 509, or otherwise), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of Counterparty against any collateral which Counterparty now has or acquires, until all of the Guaranteed Obligations shall have been irrevocably paid to Counterparty in full. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all the Guaranteed Obligations in default shall not have been paid in full, such amount shall be held in trust for the benefit of Counterparty and shall forthwith be paid to Counterparty to be applied to the Guaranteed Obligations. If (a) the Guarantor shall perform and shall make payment to Counterparty of all or any part of the Guaranteed Obligations and (b) all the Guaranteed Obligations shall have been paid in full, Counterparty shall, at the Guarantor's request, execute and deliver to the Guarantor appropriate documents necessary to evidence the transfer by subrogation to the guarantor of any interest in the Guaranteed Obligations resulting from such payment by Guarantor.

6. **Reservation of Defenses**. Guarantor agrees that except as expressly set forth herein, it will remain bound upon this Guaranty notwithstanding any defenses which, pursuant to the laws of suretyship, would otherwise relieve a guarantor of its obligations under a guaranty. Guarantor does reserve the right to assert defenses which Company may have to payment of any Guaranteed Obligation other than defenses arising from the bankruptcy or insolvency of Company and other defenses expressly waived hereby.

7. **Notices**. All demands, notices and other communications provided for hereunder shall unless otherwise specifically provided herein, (a) be in writing addressed to the party receiving the notice at the address set forth below or at such other address as may be designated by written notice, from time to time, to the other party, and (b) be effective upon receipt, when mailed by U.S. mail, registered or certified, return receipt requested,

postage prepaid, facsimile or personally delivered. Notices shall be sent to the following addresses:

If to Counterparty:

City Manager
City of Johnson City, Tennessee
601 East Main Street
Johnson City, TN 37601
Fax: (423) 434-6295

with a copy to:

Public Works Director
City of Johnson City, Tennessee
601 East Main Street
Johnson City, Tennessee 37601
Fax: (423) 232-5966

and to:

City Attorney
City of Johnson City, Tennessee
601 East Main Street
Johnson City, Tennessee 37601
Fax: (423) 928-0207

If to Guarantor:

Energy Systems Group, LLC
20 N.W. Fourth Street
Evansville, IN 47708
Attn: President
Fax: (812) 475-2544

with a copy to:

Vectren Corporation
1 Vectren Square
Evansville, IN 44708
Attn: Executive Vice President/General Counsel

and to:

Porter & Hedges, LLP
1000 Main Street, 36th Floor
Houston, Texas 77002
Attn: Joel Goldberg
Fax: (713) 226-0261

8. **Demand and Payment.** Any demand by Counterparty for payment hereunder shall be in writing, signed by a duly authorized representative of Counterparty and delivered to the Guarantor pursuant to Section 7 hereof, and shall (a) reference this Guaranty, (b) specifically identify Company, the nature of the default, the Guaranteed Obligations to be paid and the amount of such Guaranteed Obligations and (c) set forth payment instructions, including bank name, routing number and bank account number. There are no other requirements of notice, presentment or demand. Guarantor shall pay, or cause to be paid, such Guaranteed Obligations within ten (10) business days of receipt of such demand.

9. **No Waiver; Remedies.** Except as to applicable statutes of limitation, no failure on the part of Counterparty to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10. **Term; Termination.** This Guaranty shall continue in full force and effect until the expiration or earlier termination of the Agreements.

11. **Assignment; Successors and Assigns.** Counterparty may, upon notice to Guarantor, assign its rights hereunder without the consent of Guarantor. Guarantor may assign its rights hereunder with the prior written consent of Counterparty, which consent shall not be unreasonably withheld. Subject to the foregoing, this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, and legal representatives.

12. **Amendments, No Waiver, Confirmation.** A written amendment executed by the Guarantor only may (a) increase the guaranty limit specified in Section 1 and/or (b) extend the termination date of this Guaranty. No other amendment of this Guaranty shall be effective unless in writing and signed by Guarantor and Counterparty. No waiver of any provision of this Guaranty nor consent to any departure by Guarantor therefrom shall in any event be effective unless such waiver shall be in writing and signed by Counterparty. Any such waiver shall be effective only in the specific instance and for the specific purpose for which it was given. Upon Counterparty's written request at any time while the Agreements are in effect, Guarantor shall confirm in writing that this Guaranty remains in full force and effect.

13. **Captions**. The captions in this Guaranty have been inserted for convenience only and shall be give no substantive meaning or significance whatsoever in construing the terms and provisions of this Guaranty.

14. **Representations and Warranties.**

The Guarantor represents and warrants as follows:

(a) The Guarantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has full corporate power to execute, deliver and perform this Guaranty.

(b) The execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene the Guarantor's constitutional documents or any contractual restriction binding on the Guarantor or its assets.

(c) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable against Guarantor in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting Counterparty's rights and to general equity principles.

15. **Limitation by Law**. All rights, remedies and powers provided in this Guaranty may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Guaranty are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they will not render this Guaranty invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

16. **Governing Law; Submission to Exclusive Jurisdiction**. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of Tennessee and applicable federal law.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

WHEREFORE, Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer effective as of the 7th day of April, 2005 ("*Effective Date*").

GUARANTOR:

ENERGY SYSTEMS GROUP, LLC,
an Indiana limited liability company

WITNESSES:

Margaret A. Thomas

By: James L. Adams
President

ACCEPTED BY:

CITY OF JOHNSON CITY, TENNESSEE
a municipal corporation organized and existing under the laws of the State of Tennessee

ATTEST:

By: Peter A. Paduch, Mayor

APPROVED AS TO FORM:

By: City Attorney

STATE OF INDIANA
COUNTY OF VANDERBURGH

On this 11th day of April, 2005, before me Carolyn A. Alvis-Duff the undersigned notary public, personally appeared James Adams the President of Energy Systems Group, LLC, who acknowledged the foregoing instrument to be the free act and deed of Energy Systems Group, LLC.

In witness whereof I hereunto set my hand and official seal.

Carolyn A. Alvis-Duff
NOTARY PUBLIC
My Commission Expires 04-08-08

STATE OF TENNESSEE
COUNTY OF WASHINGTON

On this 18th day of April, 2005, before me Juanita Phillips the undersigned notary public, personally appeared Peter A. Paduch, the Mayor of the City of Johnson City, Tennessee, who acknowledged the foregoing instrument to be the free act and deed of Johnson City, Tennessee.

In witness whereof I hereunto set my hand and official seal.

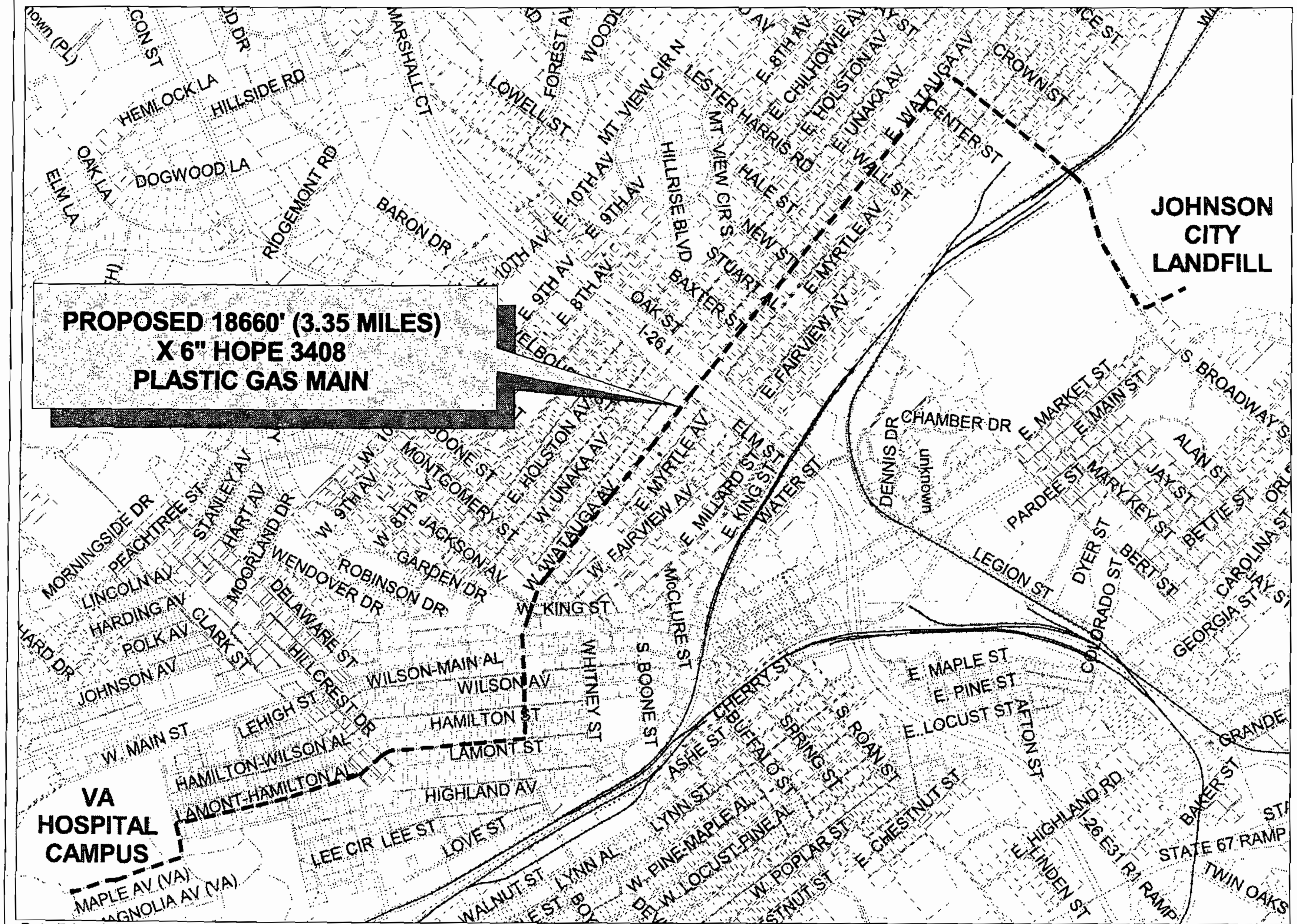
Juanita Phillips
NOTARY PUBLIC
My commission expires: 7/25/2005

EXHIBIT A

COPIES OF GAS PURCHASE AGREEMENT AND SITE LEASE

EXHIBIT #2

SERVICE AREA MAP



City of Johnson City Landfill Gas Project

MAP JCLGP 01

Date Printed: 08/16/2005

EXHIBIT #3

SPECIAL CONTRACTS WITH INDUSTRIAL CUSTOMERS

TRANSPORTATION SERVICES AGREEMENT

THIS TRANSPORTATION SERVICES AGREEMENT (this "***Agreement***") made and entered into as of the 19th day of August 2005, by and between the Mountain Home Energy Center, LLC, an Indiana limited liability company ("***Customer***"), and ESG Pipeline (JC), LLC, an Indiana limited liability company, and owner of a gas pipeline located in Johnson City, Tennessee ("***Transporter***"), each a "***Party***", and collectively referred to as the "***Parties***".

WITNESSETH:

WHEREAS, Customer desires to purchase processed methane gas ("***Processed Methane Gas***") derived from landfill gas collected at the Johnson City Landfill, Johnson City, Tennessee ("***Landfill***") and processed by ESG Biofuels (JC), LLC ("***Supplier***") and to transport or cause to have transported such gas through Transporter's pipeline facilities located in Johnson City, Tennessee, and to sell this Processed Methane Gas to a customer (or customers) to use for processing, steam production or other use.

WHEREAS, the Customer will contract for the purchase of Processed Methane Gas from Supplier and cause such Processed Methane Gas to be delivered to Transporter's pipeline facilities at a delivery point located at the Landfill; and

WHEREAS, the Customer desires to have the Transporter transport and deliver the Processed Methane Gas to a delivery point located at the Customer's facilities located at; Building 208, Memorial Drive, Mt. Home, Tennessee (the "***Customer Delivery Point***").

NOW, THEREFORE, in consideration of the premises, the parties hereto mutually agree as follows:

1. The Customer agrees to purchase and the Transporter agrees to furnish transportation services for the Processed Methane Gas to the Customer, under the terms and conditions of this Agreement and,

2. Transporter will install and maintain gas measuring equipment at the Customer Delivery Point located at the Customer's existing gas metering station, and will provide Customer with monthly meter readings on amount of Processed Methane Gas delivered to the Customer Delivery Point at Customer's facilities.

3. Transportation services performed hereunder shall be subject to the availability of capacity in the Transporter 's distribution system sufficient to provide the transportation service without detriment or disadvantage to the Transporter 's obligations to its customers who are dependent on its general system supply, and shall be further subject, in the Transporter 's sole judgment, to the system operating conditions, availability of adequate system supply and end-user requirements of the Transporter

4. Customer acknowledges receipt of notice from Transporter that daily or monthly gas supply on any basis other than transportation service as herein provided is contingent upon whatever supply Transporter has or can obtain at that time and that return to the pre-transportation supply arrangements between Transporter and Customer is not guaranteed by Transporter.

5. For purposes of scheduling any change in transportation service, Customer shall notify and obtain approval of the Transporter of its daily nominated transportation service volumes as described below.

(a) For changes proposed to be effective on the first day of the month, the Customer shall notify the Transporter ten (10) business days prior to the first day of the month. For changes proposed to commence after the first day of the month, the Customer shall notify the Transporter by 12:00 noon, Eastern Time (ET), prior to the requested day of the commencement of the revised transportation service unless Transporter by 12:00 noon, ET, on the preceding Friday. If changes in transportation service are not received by the deadline specified, Customer's ability to receive the change requested in transportation service during said month shall be subject to the availability of capacity and to the system operating conditions, availability of adequate system supply, and end-user requirements of the Transporter. Transporter shall have the right to reject any nomination(s) pursuant to paragraph 3 as stated above.

6 Processed Methane Gas delivered hereunder shall be delivered into the gas lines of the Customer at the Customer Delivery Point at the outlet of the Transporter's metering and regulating equipment.

7. The Customer agrees to nominate transportation gas volumes on a daily best efforts basis. The Customer also agrees to reimburse the Transporter for any penalties that it caused the Transporter to incur as a result of Customer's failure to do so.

8 The Customer agrees to reimburse the Transporter for any applicable gas supply related costs incurred by the Transporter which results from the Transporter's providing Processed Methane Gas transportation service for the Customer.

9. The transportation service rates to be charged by the Transporter are set forth in EXHIBIT A which is attached hereto and incorporated herein for all purposes. The transportation service rates are subject to change in accordance with any present and future valid orders, rules, and regulations of any applicable regulatory body of the federal or state government having or asserting jurisdiction over this Agreement.

(a) The transportation service rates shall be applicable to the volume of Processed Methane Gas delivered by the Transporter to the Customer Delivery Point as measured at the Customer's meter. The Customer agrees to pay such transportation service rates without prejudice to the right of the Customer to contest the effective rates in such manner as prescribed by the rules and regulations of the Tennessee Regulatory Authority. Any change in the effective rates ordered or approved by the Tennessee Regulatory Authority resulting from the Customer's contesting such rates or from the Transporter 's filing of a rate change shall be made effective on a prospective basis only beginning with the effective date of any valid orders, rules and regulations issued by the Tennessee Regulatory Authority.

(b) The Transporter will, on a best effort basis, render to the Customer a statement on or before the fifteenth (15) day of each calendar month, setting forth the total quantity of Processed Methane Gas, in terms of MMBTU received hereunder at the Customer Delivery Point as measured at the Customer's meter during the immediately preceding calendar month and the amount payable thereof. The Customer agrees to pay the Transporter the full amount payable according to such statement so that Transporter has available good funds therefrom within sixteen (16) days from date of the statement. If the Customer shall fail to pay the bill after it has become due, the Transporter may, seven (7) days after notice to the Customer, discontinue service to the Customer.

(c) If the Transporter has insufficient information to determine the Customer's ability to pay for the transportation services to be rendered by the Transporter, the Transporter may request further information reasonably necessary to determine the Customer's creditworthiness. If the Customer fails to demonstrate creditworthiness, the Transporter may require the Customer to prepay the sum of two months' revenues that the Transporter would receive if the Transporter were performing such service at the maximum transportation quantity or furnish within fifteen (15) days good and sufficient security, as determined to be reasonable by the Transporter, of a continuing nature and in an amount equal to the revenues the Transporter would receive if the Transporter were performing such service at the maximum transportation quantity for a period of two months.

10. Without limiting the extent or generality of the terms of service, the Customer agrees to pay, indemnify and hold the Transporter harmless against any sales, use or other tax imposed by any taxing authority upon the purchase or use by the Customer of gas transported pursuant to this Agreement.

11. This Agreement shall be subject to all present and future valid orders, rules, and regulations of any regulatory body of the federal or state government having or asserting jurisdiction herein.

12. The Customer warrants that it will, at the time of delivery of gas to the TRANSPORTER, have good title to or good right to deliver, or have delivered, all such gas; and that it will deliver, or cause to be delivered, such gas free of all liens, encumbrances and claims whatsoever. The Customer, as to the gas it delivers or causes to be delivered to the Transporter, will indemnify and save the Transporter harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse claims of any and all persons to said gas and/or to royalties, taxes, fees or charges thereon.

13. Force Majeure – Neither Party shall be liable to the other Party for any failure to perform any provision or obligation of this Agreement if such failure is caused by or results directly or indirectly from any act of God; federal, state, or municipal regulation or legislation; fire, floods, storms or other natural occurrences, strikes, war or accidents, or any case beyond the reasonable control of the Party failing to perform.

14.

(a) The Customer agrees to indemnify and hold the Transporter harmless from and against any and all claims, causes of action, actions, damages, injuries or losses the Customer may suffer or incur or which may be asserted against the Transporter by the customer, or by any other person, firm or corporation, by reason of or arising out of acts reasonably taken by the Transporter in a good faith effort to perform or comply with the terms and provisions of this Agreement or for failure by the Transporter to carry out its obligations under this Agreement due to Force Majeure conditions.

(b) The Transporter agrees to indemnify and hold the Customer harmless from and against any and all claims, causes of action, actions, damages, injuries or losses the Transporter may suffer or incur or which may be asserted against the Customer by the Transporter, or by any other person, firm or corporation, arising out of Transporter's negligence or willful misconduct in its performance under this Agreement, for failure by the Transporter to carry out its obligations under this Agreement, or for violations by Transporter of any applicable laws.

15. This Agreement supersedes and cancels any previously effective Transportation Service Agreement between the Customer and Transporter and shall become effective on the date hereinabove first written and shall remain in full force and effect for a period of five (5) years, and thereafter on a month to month basis, unless and until terminated by either party giving not less than thirty (30) days written notice to the other party prior to the end of any month.

16. This Agreement shall bind and benefit the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, the Parties hereto have caused this contract to be executed by their duly authorized officers as of the date first above written.

ESG Pipeline (JC), LLC

BY: Daniel E. Harsh
Name: Daniel E. Harsh
Title: Vice President

Mountain Home Energy Center, LLC

BY: J L Adams
Name: James L. Adams
Title: President

Exhibit A

Exhibit A

Transportation Charges, Fees and Taxes

(a) The price to be paid by Customer to Transporter for transportation services shall be $0.75 per million BTUs on all volumes of Processed Methane Gas transported and delivered as calculated when the Processed Methane Gas is measured at the Customer's gas metering station at a pressure base of 14.65 psia.

(b) In addition to the transportation charges to be paid by Customer under the provisions of subparagraph (a) above, Customer also agrees to pay to Transporter a customer charge in the amount of Three Hundred, Ten and No/100 Dollars ($310.00) per month.

(c) Customer further agrees, in addition to the other sums set forth above, to pay to Transporter an amount equal to any and all taxes and charges of any nature imposed on Transporter for gas transported by Transporter hereunder as a result of such transportation including, but not limited to, sales taxes, gross receipts taxes, franchise fees, and other similar taxes and charges for which Customer may be liable, excluding taxes on the income of Transporter.

EXHIBIT #4

2004 AUDITED FINANCIAL STATEMENTS

ENERGY SYSTEMS GROUP, LLC
AND SUBSIDIARIES

Financial Report

December 31, 2004

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Energy Systems Group, LLC and Subsidiaries
101 Plaza East Boulevard, Suite 320
Evansville, Indiana 47715

We have audited the accompanying consolidated balance sheets of Energy Systems Group, LLC and Subsidiaries, as of December 31, 2004 and 2003, and the related consolidated statements of income, members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energy Systems Group, LLC and Subsidiaries, as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
January 14, 2005

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2004 and 2003

	2004	2003
Revenues	$ 62,115,390	$ 54,034,440
Cost of revenues	44,896,907	40,036,090
Gross profit	$ 17,218,483	$ 13,998,350
Operating expenses	11,775,207	8,598,702
Operating income	$ 5,443,276	$ 5,399,648
Other income (loss)		
Interest - net	133,139	151,959
Other	121,920	36,004
	$ 255,059	$ 187,963
Net income	$ 5,698,335	$ 5,587,611

See notes to consolidated financial statements.

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2004 and 2003

	Citizens By Products Coal Company	Energy Systems Group, Inc.	Total
Members' Equity at December 31, 2002	$ 1,617,802	$ 3,235,604	$ 4,853,406
Net income	22,300	5,565,311	5,587,611
Withdrawals	(592,675)	(1,185,350)	(1,778,025)
Member buy-out	(1,047,427)	1,047,427	0
Member's Equity at December 31, 2003	$ 0	$ 8,662,992	$ 8,662,992
Net income	0	5,698,335	5,698,335
Withdrawals	0	(1,505,044)	(1,505,044)
Member's Equity at December 31, 2004	$ 0	$ 12,856,283	$ 12,856,283

See notes to consolidated financial statements.

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	$ 567,840	$ 4,946,565
Contracts receivable, including retainage of $1,593,653 and $636,182	10,556,894	6,303,372
Notes receivable from affiliate	4,642,665	0
Costs and estimated earnings in excess of billings on uncompleted contracts	4,003,129	2,497,752
Pre-contract costs	1,287,656	627,318
Other current assets	919,818	594,137
Total current assets	$ 21,978,002	$ 14,969,144
Long-Term Receivable	$ 1,283,339	$ 1,205,376
Intangible Assets		
Goodwill	$ 2,118,072	0
Other intangibles assets	647,668	$ 0
	$ 2,765,740	0
Property and Equipment	$ 2,677,770	$ 2,008,450
Less accumulated depreciation	(1,500,853)	(1,266,995)
	$ 1,176,917	$ 741,455
	$ 27,203,998	$ 16,915,975

See notes to consolidated financial statements.

	2004	2003
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable, including retainage of $2,350,310 and $1,778,110	**$ 10,829,016**	$ 5,346,572
Billings in excess of costs and estimated earnings on uncompleted contracts	**403,998**	513,060
Accrued expenses and taxes	**2,504,481**	1,875,789
Total current liabilities	**$ 13,737,495**	$ 7,735,421
Energy Guarantee Reserve	**$ 266,227**	$ 352,690
Long-Term Compensation	**$ 343,993**	$ 164,872
Commitments and Contingencies		
Member's Equity	**$ 12,856,283**	$ 8,662,992
	$ 27,203,998	$ 16,915,975

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Net income	**$ 5,698,335**	$ 5,587,611
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**243,898**	264,804
Amortization	**69,365**	0
Loss on sale of property and equipment	**0**	23,151
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable	**(2,921,658)**	352,454
Costs and estimated earnings in excess of billings on uncompleted contracts	**157,543**	(1,305,129)
Pre-contract costs	**(660,338)**	(90,239)
Other current assets	**(291,621)**	32,776
Long-term receivable	**(77,963)**	(76,945)
Increase (decrease)		
Accounts payable	**4,028,692**	(1,902,896)
Billings in excess of costs and estimated earnings on uncompleted contracts	**(109,062)**	(2,585,713)
Accrued expenses and taxes	**(189,807)**	654,333
Energy guarantee reserve	**(125,788)**	(20,518)
Deferred compensation	**179,121**	164,872
Net cash provided by operating activities	**$ 6,000,717**	$ 1,098,561

See notes to consolidated financial statements.

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2004 and 2003

	2004	2003
Cash Flows from Investing Activities		
Purchase of property and equipment	**(492,316)**	(126,587)
Net advances to affiliate	**(4,642,665)**	0
Acquisition of businesses	**(3,739,417)**	0
Net cash used in investing activities	**(8,874,398)**	(126,587)
Cash Flows from Financing Activities		
Principal payments on short-term borrowings	**0**	(117,732)
Distributions paid	**(1,505,044)**	(1,778,025)
Net cash used in financing activities	**$ (1,505,044)**	$ (1,895,757)
Net decrease in cash	**$ (4,378,725)**	$ (923,783)
Cash and equivalents at beginning of year	**4,946,565**	5,870,348
Cash and equivalents at end of year	**$ 567,840**	$ 4,946,565

See notes to consolidated financial statements.

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

Energy Systems Group, LLC is an energy service company that implements and finances energy and operational improvements for commercial, industrial, and institutional buildings. The Company owns 100 percent of the stock of Mountain Home Energy Center, LLC and ESG Carolina Holdings, LLC.

Mountain Home Energy Center, LLC (MHEC) was formed on April 22, 1999. MHEC was formed to install energy saving equipment at the James H. Quillen VA Medical Center (VA Center) and to provide energy services for the VA Center under an operating contract through March 2024.

ESG Carolina Holdings, LLC owns 100 percent of the stock of Energy Systems Group SE, Inc. Energy Systems Group SE, Inc. is an energy service company that implements and finances energy and operational improvements for governmental and commercial buildings.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, and accounts receivable. At times, such cash and cash equivalents in banks are in excess of the FDIC insurance limit. Credit risk with respect to cash and cash equivalents is minimized by using high-credit quality financial institutions. The Company attempts to minimize accounts receivable credit risk by reviewing customer credit history before extending credit and by monitoring customers' credit exposure on a continuing basis.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Uncollectible Accounts Receivable

The direct charge-off method is used to account for losses in collection of accounts receivable. An allowance for uncollectible accounts receivable is considered unnecessary by management because all significant accounts expected to be uncollectible have been written off, if any. Bad debt expense consists of accounts written off, net of recoveries. There was no bad debt expense for December 31, 2004 and 2003.

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Provisions for depreciation of property and equipment have been computed on the straight-line and accelerated methods over the estimated useful life.

Amortization of leasehold improvement assets is computed on the straight-line method over the shorter of the useful life of the asset or the life of the lease.

Goodwill, Other Intangible Assets, and Amortization

Goodwill, which has an indefinite life is not amortized but is tested for impairment annually. Intangible assets with finite lives, which include backlog, customer relations, and non-compete, are being amortized on the straight-line method over their estimated useful life.

Revenue and Cost Recognition

Income from long-term and short-term contracts is recognized by the percentage-of-completion method. The percentage-of-completion is determined by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. The length of the Company's contracts varies. Generally, guaranteed savings and warranty agreements accompany the contracts.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenue when their realization is reasonably assured.

The asset, "costs and estimated earnings in excess of billings on uncompleted contracts," represents revenue recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenue recognized.

Pre-contract costs incurred for a specific anticipated contract are capitalized and included in the project cost estimate. Upon award of the contract, revenue is recognized by the percentage-of-completion method. Capitalized pre-contract costs are expensed when it is determined that the award of the contract is doubtful.

Revenues from audit and maintenance contracts are recognized under the straight-line method over the term of the contact.

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Energy Guarantee Reserve

The Company, as part of its contracts, guarantees that the customer will achieve certain levels of energy savings over a specified number of years. The energy guarantee reserve represents an allowance for potential shortfalls on energy guarantees.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Contracts Receivable

Contracts receivable at December 31, 2004 and 2003 consisted of the following:

	2004	2003
Contracts receivable		
Billed		
Completed contracts	$ 958,878	$ 72,706
Contracts in process	8,004,363	5,594,484
Retainages	1,593,653	636,182
	$ 10,556,894	$ 6,303,372

The retained contracts receivable are expected to be collected within one year from the balance sheet date.

Note 3 – Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts at December 31, 2004 and 2003 consisted of the following:

	2004	2003
Costs incurred on uncompleted contracts	$ 55,306,433	$ 36,677,885
Estimated earnings	17,380,072	10,914,653
	72,686,505	47,592,538
Less billings to date	(69,087,374)	(45,607,846)
	$ 3,599,131	$ 1,984,692

Included in the accompanying balance sheets under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 4,003,129	$ 2,497,752
Billings in excess of costs and estimated earnings on uncompleted contracts	(403,998)	(513,060)
	$ 3,599,131	$ 1,984,692

Note 4 – Intangible Assets

Intangible assets at December 31, 2004 consisted of the following:

	Gross	Accumulated Amortization	Net
Intangible assets, subject to amortization	$ 717,033	$ 69,365	$ 647,668
Intangible assets, not subject to amortization:			
Goodwill	2,118,072	0	2,118,072
	$ 2,835,105	$ 69,365	$ 2,765,740

There were no intangible assets at December 31, 2003.

Amortization expense for the year ended December 31, 2004 was $69,365. There was no amortization expense for the year ended December 31, 2003. The estimated amortization expense to be charged to income over the next five years are 2005 $138,730; 2006 $138,730, 2007 $131,832; 2008 $56,090; and 2009 $33,143.

Note 5 – Property and Equipment

Property and equipment at December 31, 2004 and 2003 consisted of the following:

	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	$ 2,169,309	$ 1,238,817	$ 1,504,864	$ 1,045,591
Leasehold improvements	508,461	262,036	503,586	221,404
	$ 2,677,770	$ 1,500,853	$ 2,008,450	$ 1,266,995

Depreciation expense for the years ended December 31, 2004 and 2003 was $243,898 and $264,804, respectively.

Note 6 – Long-Term Receivable

In connection with the construction and operation of the energy center for the VA Center, the Company was required to deposit funds into the debt reserve fund of Mountain Home Energy Trust (MHET). The Company will earn interest at 6.75 percent annually. If MHET defaults on its bond payments, which mature in March 2024, funds from the receivable will be used to make payments to the bondholders. The bonds are further insured by MBIA, Inc. The Company's receivable, including interest, will be collected by payments made by MHET with any available funds earned from third party sales of energy or from funds disbursed by the bond trustee.

Note 7 – Line of Credit

The Company has an unsecured revolving line of credit with a bank. The agreement provides for borrowings up to a maximum of $5,000,000. Interest is charged on outstanding borrowings at one percent below the lender's prime rate. The line of credit expires April 4, 2005. The Company intends to renew the line of credit. There were no borrowings under the line of credit as of December 31, 2004 and 2003.

Note 8 – Income Taxes

As of April 1, 2003, the Limited Liability Company is not a tax-paying entity for income tax purposes. Income from the Limited Liability Company is taxed to its member on its corporate return.

Energy Systems Group SE, Inc., a subsidiary of the Company, is a taxable corporation. The income taxes and deferred taxes related to Energy System Group SE, Inc. are insignificant.

Note 9 – Employee Incentive Plans

The Company has various incentive and benefit plans including an executive bonus plan, profit sharing plan, 401(k) profit sharing and 401(k) matching plan available to its employees and executives.

The Company has a 401(k) profit sharing and 401(k) matching plan for all employees who have completed a service requirement. Discretionary contributions to the plan are made when certain profit conditions are met. Additionally, employees may participate by contributing a percentage of their salary to the plan, a portion of which is matched by the Company. The Company's 401(k) expense for the years ended December 31, 2004 and 2003 was $495,220 and $357,613, respectively.

The Company also has an executive bonus plan, which includes both short-term and long-term incentive plans. The short-term plan is based primarily on the Company's achievement of growth and earnings performance goals. During 2004 and 2003, the Company expensed $186,709 and $110,051, respectively, related to this plan. Under the long-term incentive plan, certain executives are given shares of phantom stock on January 1 of each plan year, which will vest and be redeemed in cash three years later. The value of the phantom stock can appreciate relative to the Company's improvements in earnings. A total of 1,457, 1,004, and 1,340 shares of phantom stock were outstanding for the years 2004, 2003, and 2002 respectively. The 2002 outstanding phantom stock shares will be paid out in 2005 and the related accrued compensation has been included in accrued expenses and taxes. During 2004 and 2003, there was $346,447 and $164,872 expensed related to the long-term incentive plan, respectively.

Note 10 – Commitments and Contingencies

At December 31, 2004 and 2003, the Company has outstanding Surety bonds in the amount of $69,214,011 and $53,142,216, respectively, for its performance, payment, and energy guarantees. The Company and its member's parent, Vectren Corporation, have entered into a contract to guarantee the payment of amounts due to Liberty Mutual Insurance Company for Surety bonds should the Company default on its obligation to complete construction, pay vendors or subcontractors, and achieve energy guarantees. Performance and payment bonds stay in effect for the one-year construction warranty period. During 2004, the Company's Surety allowed the Company to replace payment and performance bonds during the construction warranty period with maintenance bonds at ten percent of the face value of the payment and performance bonds. Energy guarantee bonds are for various lengths and are reduced annually based upon the percentage of guarantee met.

The Company and its member's parent have additional outstanding guarantees to MHET for $10,000,000 related to operations of the energy center for the VA Center. The operations performance guarantee to provide electricity, steam, and chilled water is limited to $10,000,000 and extends through March 2024.

Note 10 – Commitments and Contingencies (Continued)

The Company has also constructed two additional energy centers for the Veteran's Administration, and during 2003, these energy centers had commenced operations. The Company has begun construction on a second phase of one of these energy centers during 2003. Construction on this project will be completed in the first quarter of 2005. The Company and its member's parent continue to have a $5,000,000 outstanding guarantee on each of these two energy centers. The guarantees are for the construction and operation of the energy centers for a total period of ten years from contract date.

In conjunction with the purchase of Progress Energy Solutions, as part of a state requirement, the Company and its member's parent have outstanding guarantees for certain projects related to construction, services, and operations guarantees in the amount of $15,944,746.

Note 11 – Related Party Transactions

The Company advances and borrows funds from an affiliate to facilitate financing and investing. At December 31, 2004, the Company had a receivable from its affiliate of $4,642,665 and is due on demand. There was no balance at December 31, 2003. Interest on advances is based on the rate per annum equal to the lender's weighted average daily cost of funds. The rate as of December 31, 2004 was 2.77 percent. Total related party net interest income for the year ended December 31, 2004 was $10,562. There was no net interest income for the year ended December 31, 2003.

At December 31, 2004, the Company also has a receivable from its parent that is expected to be collected within the next year. The receivable is for $114,368 and is included in other current assets.

The Company also has a payable to an affiliate for group medical payments. The balance at December 31, 2004 was $73,388 and there was no balance at December 31, 2003.

The parent company provides certain services of which the Company is not charged.

Note 12 – Leases

The Company leases certain property and equipment under noncancelable operating lease agreements expiring on various dates through 2008. Generally, the Company is required to pay executory costs such as property taxes, maintenance and insurance. At December 31, 2004, aggregate future minimum rental payments required under the noncancelable operating leases are as follows:

Years Ending December 31,	
2005	$ 606,627
2006	501,249
2007	444,630
2008	288,858
2009	285,887
Thereafter	1,269,246
	$ 3,396,497

Total rental expense under all operating leases was $720,947 and $588,528 for the years ended December 31, 2004 and 2003, respectively.

Note 13 – Acquisition of Businesses

During July 2004, the Company completed its acquisition of certain assets and liabilities of Progress Energy Solutions, an energy services company, through a stock purchase agreement. The purchase price of $6,050,993 consisted of a cash payment of $3,739,417 and the assumption of liabilities of $2,311,576.

The transaction has been recorded under the purchase method of accounting. The purchase price has been allocated to assets as follows: $2,118,072 to goodwill, $717,033 to certain amortizable intangibles, $187,044 to property and equipment, $34,060 to other current assets, $1,331,864 to accounts receivable, and $1,662,920 to unbilled receivables. The results of operations of the acquired company are included in the Company's income statement beginning July 10, 2004.

Note 14 – Major Customers and Large Accounts Receivable

During the years ended December 31, 2004 and 2003, the Company had major customers from which the earned revenues were as follows:

Customer	2004 Earned Revenues	2004 Percent to Total Earned Revenues	2003 Earned Revenues	2003 Percent to Total Earned Revenues
A	$ *	*	$ 6,000,385	11.10%
B	14,125,022	22.74%	22,580,663	41.79%
	$ 14,125,022	22.74%	$ 28,581,048	52.89%

Information regarding large accounts receivable at December 31, 2004 and 2003 is as follows:

Customer	2004 Amount	2004 Percent to Total Accounts Receivable	2003 Amount	2003 Percent to Total Accounts Receivable
E	$ 2,388,472	22.62%	$ *	*
F	*	*	1,282,335	20.34%
D	1,956,137	18.53%	*	*
B	1,608,450	15.24%	2,642,076	41.91%
	$ 5,953,059	56.39%	$ 3,924,411	62.25%

Because of the nature of the Company's business, the major customers will vary between years.

*The amounts and percentages are not significant.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Energy Systems Group, LLC and Subsidiaries
101 Plaza East Boulevard, Suite 320
Evansville, Indiana 47715

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
January 14, 2005

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF INCOME (LOSS)
Year Ended December 31, 2004

	Consolidated	Eliminations	Energy Systems Group, LLC	Carolina Holdings, LLC	Energy Systems Group SE, Inc.	Mountain Home Energy Center, LLC
Revenues	$ 62,115,390	0	53,364,330	0	7,283,879	1,467,181
Cost of revenues	44,896,907	0	38,233,786	0	5,334,215	1,328,906
Gross profit	$ 17,218,483	0	15,130,544	0	1,949,664	138,275
Operating expenses	11,775,207	0	9,616,291	69,365	2,119,370	(29,819)
Operating income (loss)	$ 5,443,276	0	5,514,253	(69,365)	(169,706)	168,094
Other income (loss)						
Interest - net	133,139	0	129,877	0	0	3,262
Other	121,920	0	66,028	0	55,545	347
Equity in income (loss) of subsidiaries	0	125,982	(11,822)	(114,160)	0	0
	$ 255,059	125,982	184,083	(114,160)	55,545	3,609
Net income (loss)	$ 5,698,335	125,982	5,698,336	(183,525)	(114,161)	171,703

See accountant's report on supplementary information.

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
December 31, 2004

	Consolidated	Eliminations	Energy Systems Group, LLC	Carolina Holdings, LLC	Energy Systems Group SE, Inc.	Mountain Home Energy Center, LLC
ASSETS						
Current Assets						
Cash and cash equivalents	$ 567,840	0	301,110	0	91,205	175,525
Contracts receivable	10,556,894		6,860,274		3,210,058	486,562
Notes receivable from affiliate	4,642,665		8,381,932	(3,739,267)	0	0
Costs and estimated earnings in excess of billings on uncompleted contracts	4,003,129	0	2,952,055	0	915,448	135,626
Pre-contract costs	1,287,656		1,156,553		127,747	3,356
Other current assets	919,818	0	1,412,661	99,895	(2,020,412)	1,427,674
Total current assets	$ 21,978,002	0	21,064,585	(3,639,372)	2,324,046	2,228,743
Long-Term Receivable	$ 1,283,339	0	936,472	0	0	346,867
Investment in Subsidiary	$ 0	(3,306,401)	2,616,145	690,256	0	0
Intangible Assets						
Goodwill	$ 2,118,072	0	0	2,118,072	0	0
Other intangible assets	647,668	0	0	647,668	0	0
	$ 2,765,740	0	0	2,765,740	0	0
Property and Equipment	$ 2,677,770	0	2,087,843	0	238,126	351,801
Less accumulated depreciation	(1,500,853)	0	(1,384,573)	0	(27,534)	(88,746)
	$ 1,176,917	0	703,270	0	210,592	263,055
	$ 27,203,998	(3,306,401)	25,320,472	(183,376)	2,534,638	2,838,665

See accountant's report on supplementary information.

ENERGY SYSTEMS GROUP, LLC AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (CONTINUED)
December 31, 2004

	Consolidated	Eliminations	Energy Systems Group, LLC	Carolina Holdings, LLC	Energy Systems Group SE, Inc.	Mountain Home Energy Center, LLC
LIABILITIES AND MEMBER'S EQUITY						
Current Liabilities						
Accounts payable	$ 10,829,016	0	9,411,454	0	1,417,199	363
Billings in excess of costs and estimated earnings on uncompleted contracts	403,998	0	383,441	0	20,557	0
Accrued expenses and taxes	2,504,481		2,059,075		406,624	38,782
Total current liabilities	$ 13,737,495	0	11,853,970	0	1,844,380	39,145
Energy Guarantee Reserve	$ 266,227	0	266,227	0	0	0
Long-Term Compensation	$ 343,993	0	343,993	0	0	0
Commitments and Contingencies						
Equity						
Retained earnings	0	(690,258)	0	0	690,258	0
Member's equity (deficit)	$ 12,856,283	(2,616,143)	12,856,282	(183,376)	0	2,799,520
	12,856,283	(3,306,401)	12,856,282	(183,376)	690,258	2,799,520
	$ 27,203,998	(3,306,401)	25,320,472	(183,376)	2,534,638	2,838,665

See accountant's report on supplementary information.

EXHIBIT #5

KEY PERSONNEL INFORMATION

ENERGY SYSTEMS GROUP KEY PERSONNEL

PRESIDENT

JIM ADAMS (August 1994) is President ***Energy Systems Group (ESG)*** a nonregulated subsidiary of a Utility Holding Company. ***ESG*** was created in April 1994 and Jim subsequently pioneered efforts to bring ***ESG*** from concept to reality by building a team of energy engineering and construction professionals to provide Energy Performance Contracting Services for education, healthcare, government, and industrial building owners. ***ESG*** has grown to include regional and branch offices in Evansville and Indianapolis, Indiana; Johnson City and Nashville, Tennessee; Detroit Michigan; Chicago, Illinois; St. Louis, Missouri; and Atlanta, Georgia; with satellite offices located in Kansas City, Missouri; Knoxville and Memphis, Tennessee; and Roanoke, Virginia. ***ESG*** has sold/developed more than $400 million in Performance Contract projects for building owners throughout the Midwest. Jim provides leadership, strategic direction, and management for all aspects of the company. He has extensive experience with HVAC systems and controls, energy systems analysis, fire alarm and security systems, construction management, and project financing.

VICE PRESIDENT CONTRACTS AND FINANCE

DAN HARSH (June 1999) is a 1985 graduate of Kent State University and received a bachelor's degree in Finance and Business Management. Before joining ***ESG***, Dan worked for 11 years in the banking industry managing the leasing division, specializing in structuring leases for both commercial and municipal leasing customers, and arranging financing for several energy conservation projects. Dan has responsibility for managing the contracting process, arranging the financing for ***ESG*** projects, and also overseeing the Measurement and Verification department within ***ESG***. Dan has served on the Board of Directors of the Association for Governmental Leasing and Finance since 1999 with service to the Board of Directors including: Vice President in 2002, President in 2003, and Chairman in 2004.

DIRECTOR OF CLEAN FUEL PROJECTS –

DENNIS BOLLINGER (FEBRUARY 2005) is ***ESG***'s Director of Clean Energy Projects. Dennis heads up the development of new environmentally beneficial power and gas projects for ***ESG***. Prior to joining ***ESG***, Mr. Bollinger was Senior Vice President of Development for Energy Developments, Inc. where he was responsible for all U.S. development activity including the development of nine landfill gas to electricity projects. Dennis also held the position of Energy Manager at Browning-Ferris Gas Services, Inc. This position was responsible for managing 15 landfill gas to energy facilities. Energy sales consisted of 90 MW of electrical generation sold to 10 utility customers, 8 MCF/D of landfill gas to industrial end users.Dennis has developed and managed landfill gas projects in Illinois, North Carolina, Georgia, Michigan, Pennsylvania, Texas, Ohio, Tennessee, and Virginia.

DIRECTOR OF CORPORATE OPERATIONS

LAWRENCE ROTH (April 1995) has a B.S. in Construction Management from Purdue University and over 14 years of Project Management experience with projects ranging in size up to $50 million. His project experience includes: cogeneration plants, boiler plants, steam distribution, chilled water systems, controls, wastewater, power distribution, and commercial construction. Since joining ***ESG***, Lawrence has been responsible for the design-build construction of: (1) A new Central–Energy Center at a Tennessee VA hospital: 8000 kW of engine-generated electricity, cogeneration with heat recovery, new central chilled water plant with 5000-ton capacity, ground-up construction, and new campus distribution piping for steam and chilled water; and (2) A new steam generating plant for Mead Johnson Nutritionals, a division of Bristol-Myers Squibb: 240,000 lb/hr steam production, ground-up construction with new building and infrastructure, new steam and condensate distribution piping, and completely automated operation. Lawrence has also been responsible for the installation of a Cogeneration Project at the University of Evansville: 2250 kW Power Generation with Engine Driven Genset; 500,000-gallon chilled water thermal storage; waste heat utilization for domestic hot water, absorption cooling, and steam production; new central compressed air system with new distribution network; campus retrofit of all HVAC equipment with new controls; utility optimization of chilled water programming and waste heat utilization; and engine maintenance program responsibilities.

DIRECTOR OPERATIONS AND MAINTENANCE SERVICES

W. LUKE BROCKMAN, PE, (January 1998) has ten years of experience in operating, testing, and maintaining nuclear reactor plants for the Naval Nuclear Power Program. Prior to joining ESG, he served as the Senior Engineer for installation and testing of state-of-the-art automated sortation equipment. Luke, a registered Professional Engineer, received a Bachelor of Science, Mechanical Engineering in 1986 from Purdue University. Luke's educational background also includes: Professional Mechanical Engineer, New York 1996; Naval Reactors Engineers Exam, 1992; and Naval Nuclear Power School, 1988. While at ESG, Luke has established a historical trending program for the University of Evansville (UE) physical plant and HVAC systems, resolved system performance issues associated with the UE physical plant and connected buildings, and identified and coordinated improvements to the UE physical plant and HVAC systems. Luke continues to provide technical support in the process of designing and constructing Energy Centers. His is currently responsible for the management and continuing operation of Energy Centers at VA Medical Centers in Mountain Home, Tennessee (3.2 MWe – 19,000 sq ft); North Chicago, Illinois (5.0 MWe – 10,000 sq ft); and West Side Chicago, Illinois (3.2 MWe – 20,000 sq ft). Luke also has experience negotiating electric contacts with utilities, an extensive background in natural gas purchasing, and is responsible for purchasing $15M of natural gas annually. Luke's background and experience make him the excellent choice for working with on-site management to improve reliability and efficiency, long-term strategies of customer satisfaction, profitability, and employee satisfaction.

<u>SENIOR PERFORMANCE ENGINEER</u>

WILLIAM D. HAYNES, PE, (November 1996) received a B.S. in Mechanical Engineering from General Motors Institute, and completed his postgraduate M.B.A. at Xavier University. Bill's employment with General Motors Overseas Division from 1963 – 1970 culminated in a Division Chief Engineer position in London, England. While employed with GM, Bill was responsible for all product engineering for GM's international division in the United Kingdom. He also was a member of General Motors Limited Division's Executive, Finance, and Data Processing Committees and Chairman of the Product Committee. He implemented and reviewed United States and European GM patents for application in Great Britain and European countries. Bill also supervised development of programs and products including the first European automotive energy absorbing steering column, European automotive air conditions, refrigeration compressors, automotive air compressors for environmental emissions control, marine and commercial refrigeration systems, and commercial refrigerators and washing machines. His overseas experience included the introduction of new and improved productions in General Motors divisions in Australia, New Zealand, Brazil, Philippines, Caribbean, France, Italy, Spain, and Scandinavia countries to improve market position and division profitability. After GM, Bill served as an engineering consultant/specialty contractor in areas including fiber production, industrial plastics, chemical, metals, metal forming and coatings, natural gas reclamation, cogeneration, and institutional energy conservation for universities and school districts. Bill is licensed in several states and overseas areas.

Resumes for each of the previously mentioned personnel are included in this section.

EXHIBIT #6

AFFILIATE INFORMATION

VECTREN

Media Kit

About Vectren

Vectren Corporation is an energy and applied technology holding company headquartered in Evansville, Indiana. Vectren's energy delivery subsidiaries provide gas and/or electricity to more than one million customers in adjoining service territories that cover nearly two-thirds of Indiana and west central Ohio.

Vectren Energy Delivery serves all or portions of 17 counties in Ohio, nine counties in the Indiana - South territory and 49 counties in the Indiana - North territory.

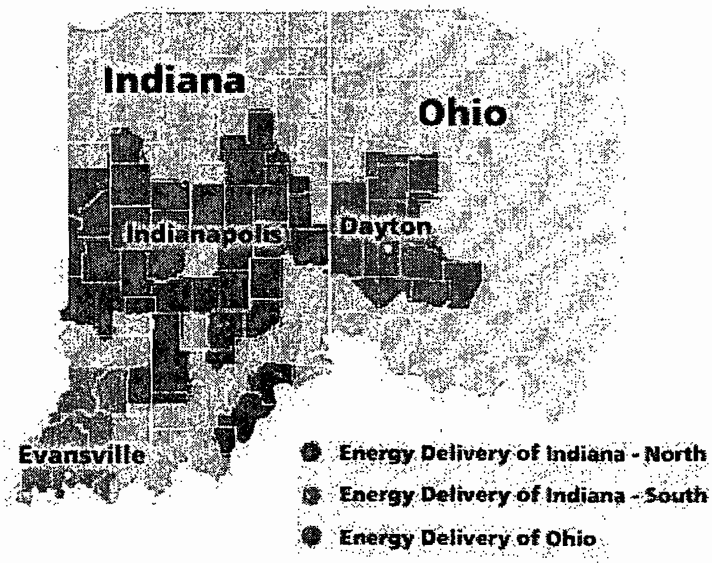
Vectren's non-regulated subsidiaries and affiliates currently offer energy-related products and services to customers throughout the surrounding region.

Vectren Corporation is publicly traded on the New York Stock Exchange (NYSE); symbol VVC. It is one of only two companies headquartered in Evansville listed on the NYSE, and it is the eighth largest public company (by revenue) in Indiana according to Indiana Business Magazine.

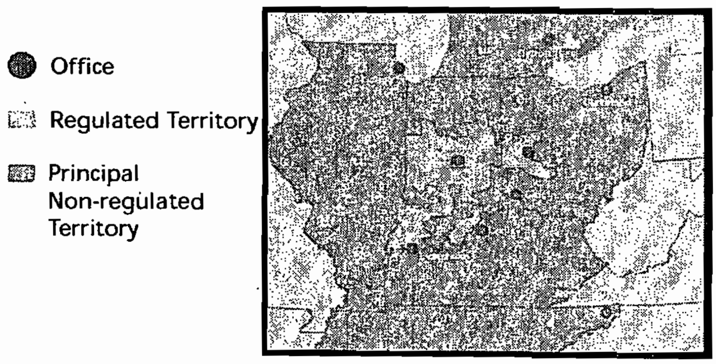
Vectren Corporation employs more than 1,700 people; including Vectren's non-regulated entities the employment total approaches 3,500.

Vectren was formed as a result of a March 2000 merger between Sigcorp, Inc. and Indiana Energy, Inc.; thus combining the regulated energy businesses of Southern Indiana Gas and Electric Company (SIGECO), Indiana Gas Company (IGC) and the natural gas distribution business of The Dayton Power & Light Company.

Vectren Energy Delivery Service Territory



Vectren's Service Territory
Regulated and Non-regulated



www.vectren.com
20 NW Fourth St., Evansville, IN 47708-1724 (812) 491-4133

Not just power. Possibility.

VECTREN

Media Kit

Vectren Energy Delivery - Counties Served

Indiana - South
Daviess
Dubois
Gibson *
Knox
Pike *
Posey *
Spencer *
Vanderburgh *
Warrick *

* - indicates counties with Vectren electric service

Indiana - North
Adams
Allen
Bartholomew
Blackford
Boone
Clark
Clay
Clinton
Daviess
Decatur
Delaware
Fayette
Floyd
Fountain
Grant
Greene
Hamilton
Hancock
Hendricks
Henry
Huntington
Jackson
Jay
Jefferson
Johnson
Lawrence
Madison
Marion
Martin
Miami
Monroe
Montgomery
Morgan
Orange
Owen
Parke
Putnam
Randolph
Rush
Shelby
Tippecanoe
Tipton
Vermillion
Vigo
Wabash
Warren
Wayne
Wells
White

Ohio
Auglaize
Butler
Champaign
Clark
Clinton
Darke
Fayette
Greene
Highland
Logan
Madison
Miami
Montgomery
Pickaway
Preble
Shelby
Warren

Mission and Values

Our Purpose
We enthusiastically provide energy and related applied technology solutions that make our customers productive, comfortable and secure.

Our Mission
We will build upon our strong utility foundation to become the leading regional provider of energy and related applied technology solutions.

With integrity and teamwork, we will exhibit these Vectren values:

Customer
We know success comes from understanding and satisfying our customers' desires.
Colleagues
We recognize the importance of diversity and treat each other with dignity and respect.
Community
We recognize and enthusiastically accept our responsibility to serve the communities where we live and work both as individuals and corporate citizens.
Capital
We take pride in achieving the superior returns needed to attract capital to finance our businesses.

www.vectren.com
20 NW Fourth St., Evansville, IN 47708-1724

Not just power. Possibility.

VECTREN

Media Kit

Vectren Chairman, President & CEO

Niel C. Ellerbrook was named chairman, president and chief executive officer (CEO) of Vectren Corporation in May of 2003. He was elected by the Vectren Corporation Board of Directors as chairman and CEO of Vectren effective upon its formation March 31, 2000. Prior to being named Vectren chairman and CEO, Ellerbrook held the position of president and CEO of Indiana Energy, Inc., to which he was elected in 1999. Prior to his election as president and CEO, the Franklin, Indiana native served in a number of positions, including vice president of finance, chief financial officer, senior vice president, executive vice president, president of Indiana Gas Company, Inc., and president and chief operating officer of Indiana Energy, Inc. Ellerbrook has been a member of the Board of Directors since 1991.

Ellerbrook graduated from Ball State University in 1970, receiving a B.S. in accounting. He is involved in numerous educational initiatives and activities. He serves on the board of directors of Signature Learning Center and Project E. He is also on the board of trustees for the University of Evansville, serving on the development and athletics committees.

Ellerbrook serves on the boards of the Indiana Energy Association and the American Gas Association for which he serves as chair of the audit committee. He is also on the board of directors and executive committee of the Indiana Chamber of Commerce where he serves as treasurer and chair of the finance committee. He also serves on the board of directors of Old National Bancorp.

Vectren Board of Directors

Niel C. Ellerbrook, Vectren

John M. Dunn
President and CEO
Dunn Hospitality Group, Ltd.

John D. Engelbrecht
President and CEO
South Central Communications Corp.

Lawrence A. Ferger
Retired Chairman and CEO
Indiana Energy, Inc.

Anton H. George
President and Director
Indianapolis Motor Speedway Corp.

Robert L. Koch II
President and CEO
Koch Enterprises, Inc.

William G. Mays
President and CEO
Mays Chemical Company, Inc.

J. Timothy McGinley
Managing Partner and Principal Owner
House Investments, Inc.

Richard P. Rechter
Chairman and Director
Rogers Group, Inc.

Ronald G. Reherman
Retired Chairman and CEO
SIGCORP, Inc.

R. Daniel Sadlier
President and CEO
Fifth Third Bank's Western Ohio Group

Richard W. Shymanski
Retired Chairman
Harding, Shymanski & Company, PC

Jean L. Wojtowicz
President and Founder
Cambridge Capital Management Group LLC

VECTREN

Media Kit

The Vectren Foundation

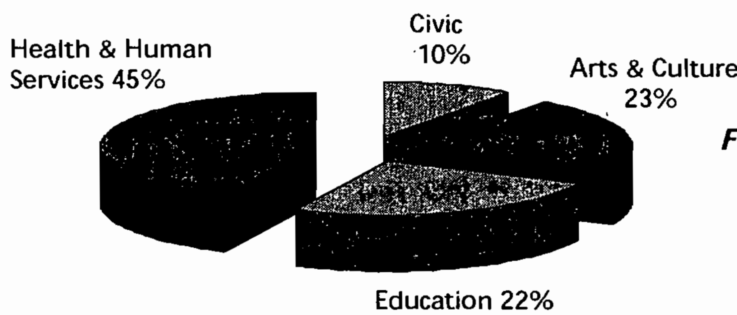
At Vectren, our commitment and responsibility to the communities in which we operate go beyond just providing safe, reliable energy services. Throughout 2003, the Vectren Foundation contributed ***$1.7 million*** to local, regional and national nonprofit organizations. In fact, a portion of Vectren's operating income is set aside for the Foundation and its efforts to foster community growth and success.

The Foundation completes its mission through four major areas of giving:

Health & Human Services
We contribute to nonprofit agencies that reach out to those in need.
Education
We are committed to educating the children of our communities in which we live and serve.
Civic
We support events that celebrate the spirit of community and good citizenship.
Arts & Culture
We recognize the need to foster creativity and unique forms of human expression.

Vectren is also committed to providing the human resources to maintain community vitality. The Foundation encourages employee volunteerism and outreach through the following:

- The Vectren Foundation will contribute $10 per employee for any team of five or more Vectren employees who participate in a fund-raising event for a qualifying tax exempt agency.
- Employee groups of 15 or more who volunteer 100 hours collectively toward an approved community project will be given a Foundation check of $2,500 to be presented to the project agency.
- If a Vectren employee contributes 40 hours of volunteer service per year to a qualifying tax exempt organization, the Vectren Foundation will donate $100 to that agency on behalf of the employee.
- The Vectren Foundation will match any employee donation to an accredited college or university, up to $2,000 annually.
- The Vectren Foundation will match any first-time employee donation or the dollar increase for any employee who increases his/her gift to the United Way by 10 percent or more.



2003
Foundation Donations by Category
Total contribution: $1.7 million

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Non-regulated Subsidiaries & Affiliates

Energy Marketing & Services

ProLiance Energy, LLC

Provides natural gas and energy-related services to a variety of large-scale end-users including major industries, utilities and municipalities. Vectren shares ownership of ProLiance with Citizens Gas & Coke in Indianapolis. ProLiance is headquartered in Indianapolis. www.proliance.com

Energy Systems Group, LLC

A wholly-owned subsidiary of Vectren, ESG provides energy services for schools, colleges, hospitals, governmental units and commercial/industrial building owners through risk-free facility related improvements and commercial equipment upgrades. ESG has full service branch offices in Evansville, Indianapolis, Atlanta, Chicago and Johnson City, Tenn. www.energysg.com

Vectren Source, LLC

Provides retail energy and related services to residential and small business customers throughout the Midwest. www.vectrensource.com

Coal Mining

Vectren Fuels, Inc.

Provides generating plants, including Vectren Power Supply, with a dependable, low-cost source of coal. Owns a surface and an underground mine in southwestern Indiana.

Vectren Synfuels, Inc.

Creates coal-based synthetic fuels through an eight and 1/3% ownership of four project companies that operate coal-based synthetic fuel plants in three states.

Utility Infrastructure

Reliant Services, LLC

Provides underground construction and repair, facilities locating and meter reading services for gas, electric and cable companies. Based in Indianapolis, Reliant's ownership is split between Vectren and Cinergy. www.reliant-services.com

Miller Pipeline Corporation

A Reliant company, Miller is one of the nation's premier contractors, providing a comprehensive range of pipeline contracting and rehabilitation services for gas, water and sewer pipelines as well as specialty products and services. www.mpc-tech.com

Non-regulated Subsidiaries & Affiliates continued

Broadband

Vectren Broadband, Inc.

Holds an approximate 14% investment in Utilicom Networks, LLC. Utilicom and Vectren own 86% and 14%, respectively, of Sigecom, LLC. Sigecom is the broadband communications provider for Evansville, Indiana serving over 25,000 customers. www.sigecom.com

Other Businesses

Vectren Communications Services, Inc.

Designs, builds and in some cases operates high-speed fiber-optic communications networks primarily for municipal utilities. www.vectrencom.com

Vectren Utility Services

Air Quality Services

Offers environmental services related to air pollution concerns for industry and utilities in the Midwest and the Southeast. www.aqsllc.net

Vectren Financial Group

Invests in structured finance and investment transactions including real estate and leveraged leases and affordable housing projects that qualify for federal income tax credits. Subsidiaries include Southern Indiana Properties, Inc. and Energy Realty Inc.

Vectren Ventures

Haddington Energy Partners

Investment in midstream and energy technology projects related to deregulation that are in early stages of development. Vectren's ownership interest is 13%.

Other investments include Monument Capital Partners, Cambridge Capital Partners, GI, Inc. and Gazelle TechVentures.

RELIANT SERVICES, LLC

Serving America's Utilities

Your BEST CHOICE for Utility Services

Whether you need accurate facility locating or cost-effective meter reading, Reliant Services has highly trained, experienced and knowledgeable employees to provide you with these critical services.

The services Reliant provides are:

- Facility Locating
- Meter-reading

Safety is a high priority with Reliant. Employees receive extensive classroom and on-site training. Reliant employees are thoroughly trained and work in compliance with all company, governmental and local safety policies and procedures.

Reliant offers many considerations our customers welcome. They include: tier pricing, or discounts for multiple utility contracts; and weekly billing with detailed information regarding the disposition of all locate requests.

WHO WE ARE

Established in 1989 with three locating employees and one customer, Reliant Services, LLC has grown steadily. Today, Reliant Services has more than 300 employees and nine major utility customers and responds to more than 15,000 requests weekly. Reliant has offices in Indianapolis, Evansville, Cincinnati, Dayton and Columbus.

About Miller Pipeline Corp.

The corporate office of Miller Pipeline Corporation is strategically located in Indianapolis, Indiana but we have 12 other regional offices coast to coast and we employ nearly 1,000 employees. Our base of operations here is situated on approximately 36 acres and includes fully equipped maintenance, fabrication and manufacturing facilities that support our diversified service line.

For 50 plus years the company has provided quality construction, maintenance and rehabilitation services and products to natural gas utilities, and the municipal and industrial infrastructure markets throughout North America.

The management of Miller Pipeline is dedicated to provide both external and internal customer satisfaction by utilizing a high standard of ethics, innovation, reliability, financial strength, value added services, and a safe, secure, growing environment for the benefit of our employees, customers and community.

We believe there are very few companies that offer the wide variety of high quality services with the passion to do it right the first time and every time. Our employees, which are our most valued asset, bring much experience and a broad range of capabilities to each of our jobs and that is why it is only fitting that we have adopted the caricature of "Can-Do" as a corporate moniker.

About ProLiance

Whether you're an industrial giant, a municipal energy provider, a natural gas consumer, or somewhere in between, you can count on ProLiance Energy to provide a reliable, cost-effective supply of natural gas for your heating and manufacturing needs, and effective resource management.

Reliability you can depend upon

In an industry that has seen many marketers come and go, ProLiance Energy is here for the long term. As we've grown, we've developed extensive gas procurement, transportation and management capabilities. Today, we annually procure and manage more than 475 billion cubic feet of natural gas for our customers.

An extensive service area

Our service area is growing, too. We now serve more than 1,200 commercial, industrial, utility and municipal customers as far north as Ontario, as far south as Louisiana, as far west as Kansas, and as far east as Georgia. We also administer supply, transportation, and storage portfolios for utility customers such as Citizens Gas & Coke Utility, Vectren Energy Delivery of Ohio, Illinois Power, as well as many Midwest and Southeast municipal utilities.

Knowledgeable energy experts

Working with ProLiance gives you access to more than 100 seasoned industry veterans.

ProLiance associates left to right: Rich Maloof, Coley Gaynor, Susannah Hardesty, and Greg Turner.

Our highly qualified sales and trading staff provides competitive, reliable natural gas supplies for price-sensitive customers, as well as a supply and operations staff with extensive experience at managing natural gas deliveries throughout the U.S. and Canada. Their strong working knowledge of the energy industry provides the foundation for our customer-focused service and reliable supply.

Dedicated to customer service

A recent independent customer satisfaction survey ranked ProLiance Energy among the top seven energy marketers nationwide based on customer satisfaction. That's because we're dedicated to serving our customers over the long term. One example is our Customer One department, our single source of contact for everything ProLiance has to offer. To learn more about what we can do for you, browse through this site, send us an e-mail, or call Customer One at 888-674-2559.

VECTREN
Source

About Us

What we deliver.

It really all comes down to the passion we have for what we do. And our commitment to never losing our focus on why we're in business - to help customers manage their natural gas costs. Deregulation means that now in select areas across Indiana, Ohio and Georgia you can choose Vectren Source for natural gas.

Vectren Source has an established track record of successfully servicing natural gas customers. And because we know from experience not all customers have the same needs, we offer a range of quality natural gas products and services for homes, small businesses, small commercial and multi-family customers. Unlike other marketers, our technology is built specifically to serve the needs of the natural gas choice marketplace. And our centralized low overhead infrastructure is proven with more than 100,000 customers.

A word about customer care.

At Vectren Source, your satisfaction is our driving force. We know that, ultimately, we are judged by your experience with our people (and this website). Our ability to provide assistance to enroll for gas service, order products, solve a service or billing problem, or discuss your special needs is our highest priority. With that in mind, our team of customer care representatives is highly trained, and we've equipped them with state-of-the-art information systems so they can serve you quickly, efficiently and always with a smile.

Who we are.

Vectren Source is a subsidiary of a $2 billion energy holding company, Vectren Corporation. Vectren's subsidiaries serve more than one million energy customers in the Midwest and Southeast. Though we're always working to save you time and money on your natural gas choice, we do not skimp on financial control or risk management know-how. Our company is led by natural gas industry veterans.

CORPORATE OVERVIEW AND EXPERIENCE

Energy Systems Group (ESG) was established in August 1994 to help customers develop and implement facility solutions through improved energy efficiency. Later that year, ESG signed its first contract to implement an energy efficiency program in a local school district. With 2004 annual revenues exceeding $70 million, we have completed more than $500 million dollars in successful projects. ESG is a wholly owned, non-regulated, subsidiary of Vectren Corporation (NYSE: VVC). Vectren is a utility holding company with over $3 billion in assets. Vectren's regulated utility subsidiaries serve over 1,000,000 customers in service territories that cover nearly two-thirds of Indiana and 17 counties in west central Ohio.

ESG continues to develop innovative and unique solutions that enable our customers to be more efficient, comfortable, and secure with their facility's operation and energy needs. Our focus on developing long-term, mutually beneficial relationships with customers is one of the core foundations of our business. Using our strengths in engineering, financing, design, construction, operations, maintenance, and management, we strive to discover distinctive solutions for the complex issues facing today's facility owners and managers. Our commitment is simple and centers on providing comprehensive energy and facility management services that:

- Continually exceed customer expectations
- Deliver innovative solutions that improve operations and overall comfort
- Reduce the cost of business both in operations and capital
- Preserve and improve the environment in which we work and live
- Enable the customer to focus on their primary mission

ESG's founding vision is to be the best energy services and performance contracting company in North America. We have taken great strides in accomplishing this vision through service of our delighted customers, peer recognition and developing long-term mutual partnerships with regional and local vendors.

ESG was one of the first four companies in the United States to earn the prestigious NAESCO Energy Service Provider accreditation and maintains these rigorous standards throughout all of our efforts. Our strong support and active participation in the Energy Services Coalition, U.S. Department of Energy's Energy Star™ and Rebuild America℠ programs help solidify ESG as a national leader in performance contracting and energy services. We have a focus on collaboration and involvement in education and support of energy efficiency initiatives.

Our innovation and talent has been recognized with several national awards for performance, design, and development of sustaining programs that benefit our customers, surrounding communities and the environment. ESG's continued addition of professionals with the highest credentials ensures that our customers receive the most effective and advanced energy and financial solutions to enhance their business.

ESG has grown from our single office in Evansville, IN to six (6) full service offices, three (3) energy centers, four (4) military base centers and nine (9) satellite office locations to serve our customers in the Midwest, Mid-Atlantic and Southeast United States. Leveraging these regional locations with trusted and experienced local vendors enables ESG to provide speed and responsiveness unmatched in meeting our customer's energy and facility needs.

For further details about projects that ESG has successfully implemented, please see the case studies located in this section.

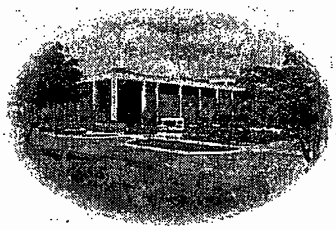
North Chicago Energy Center

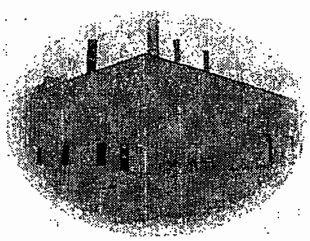
North Chicago, Illinois

Veterans Affairs Leverages Energy Efficiency and Energy Security to Save Money and Improve Services

The Challenge

North Chicago VA Medical Center needed an innovative way to improve energy service and reduce costs for their 40 building and 400 bed campus. The Center also needed the capability to utilize a secure source of energy and develop a campus energy self-sufficiency program with low risk and no impact to the hospital's services ....And all of this at NO COST to VA or taxpayers!





"Thank you (ESG) for your efforts, your focus, your commitment, and your leadership to complete this plant 5 1/2 months ahead of schedule and under budget."
Claude Hutchinson
Director, VA Asset Enterprise Mgt. Office

The Results

Energy Systems Group developed a cutting edge solution that leveraged the Enhanced-Use-Lease concept to dramatically improve the energy security for the entire campus. In partnership with the VA leadership, ESG designed, constructed and now operates a full-service energy center which provides electricity and steam to the medical center and associated facilities. In addition, this energy center will also serve the needs of adjacent Navy training barracks to maximize effectiveness and cost savings to the U.S Government. Through this on-going $29 million partnership, VA benefits include:

- Financing Package to Pay for Projects Without Any Capital Expense from VA
- Reliable & Secure Source of Energy to Meet all Campus Needs
- Reduced Energy and Operation Costs to Fund Existing Hospital Mission
- Energy Self-Sufficiency for the VA Medical Center

As an added benefit, ESG was able to help VA plan and meet for the campus future by:

- Medical Center receiving a percentage of revenues from ALL energy sales to non-VA customers

Life-Time Savings Over $44 million

Partnership Highlights

Services provided by Energy Systems Group to the North Chicago Medical Center Campus:

- Financing and Bonding Package
- Engineering, Development, Design and Operation
- Measurement and Verification Services
- Project Management & Ongoing Staff Training
- Strategic Energy Master Planning

Key Installed Technologies at the North Chicago Medical Center Campus include:

- Complete Service Energy Center with
  - 12 MW of electric generation
  - 2 Heat Recovery Steam Generators (HRSG)
  - 3 package steam boilers
  - 200,000 pounds per hour of steam production for VA and USN
  - Dual-Fuel capability for added energy security
- HVAC Systems
  - Upgrades and modifications to HVAC control systems for campus
  - Chilled water system replacements to maximize energy and cooling effectiveness
- Steam Systems
  - Refurbish and retrofit existing steam supply system
  - Centralized steam supply from energy center for VA and USN

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

Mt. Home Energy Center

Johnson City, Tennessee

Department of Veterans Affairs Increases Energy Security and Saves Money Through Innovative and Unique Concept

The Opportunity

VA was in need of energy efficiency upgrades at their James H. Quillen Medical Center and also was searching for a way to leverage new technology to create a secure source of energy while removing the risk and variability of the hospital's energy supply.... And all of this at NO COST to VA or taxpayers.

"The money that's saved here will go into advanced care and services for veterans at this hospital.....It's a good deal all around."
Dr. Leo S. McKay
Deputy Secretary, Dept. of Veterans Affairs

The Results

Energy Systems Group developed a first-of-its-kind solution that leveraged a Federal Government public/private development authority to dramatically improve the entire campus. Applying the Enhanced-Use Lease concept, ESG designed, constructed and now operates a full-service energy center which provides electricity, steam, and chilled water to the medical center and school. In addition, all 31 facilities at the center received upgrades to reduce energy use and improve building lifespan. Through this on-going $27 million partnership, VA benefits include:

- Financing Package to Pay for Projects Without Any Capital Expense from VA
- Reliable & Secure Source of Energy to Meet all Campus Needs
- Reduced Energy and Operation Costs to Fund Existing Hospital Mission
- Improved Patient & Staff Working and Living Environment

As an added benefit, ESG was able to help VA plan and meet for the campus future by:

- Medical Center receiving a percentage of revenues from ALL energy sales to non-VA customers

Life-Time Savings Over $41 million

Partnership Highlights

Services provided by Energy Systems Group to the James H. Quillen Medical Center Campus:

- Financing and Bonding Package
- Guaranteed Energy Savings
- Engineering, Development, Design and Operation Measurement and Verification Services
- Project Management & Ongoing Staff Training
- Strategic Energy Master Planning

Key Installed Technologies at the James H. Quillen Medical Center Campus include:

- Complete Service Energy Center with
  - 6.7 MW of electric generation
  - 4,900 tons of chilled water systems
  - 700,000 gallons of chilled water storage
  - 30,000 pounds per hour of steam production for VA
- Lighting Systems
  - Retrofit upgrades to lighting systems at 38 buildings
- HVAC Systems
  - Upgrades and modifications to HVAC control systems for 38 buildings
- Steam Systems
  - Refurbish and retrofit existing steam supply system
  - Centralized steam supply from energy center

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

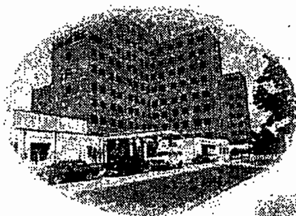
West Side Energy Center

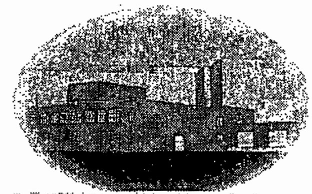
Chicago, Illinois

Veterans Affairs Enhances Energy Security and Efficiency To Improve Service for Chicago's Veterans

The Challenge

West Side VA Medical Center was seeking a demonstrated way to improve energy reliability and reduce costs for their 200 bed campus serving over 1800 staff and the 62,000 local veterans. And the VA wanted a trusted partner offering low risk and no impact to the hospital's services ...... at NO COST to VA or taxpayers!





"This plant and this partnership is a prime example of what needs to happen elsewhere across the country to benefit our constituents."
Joan E. Cummings, M.D.
VISN Network Director, VISN 12

The Results

Energy Systems group designed, implemented, and now operates a cutting edge energy center to meet WSMC's energy needs. Leveraging the Enhanced-Use-Lease concept, ESG is able to dramatically improve the energy security and self-sufficiency for the entire medical campus. This full-service energy center provides electricity, steam and chilled water to the medical center and associated facilities. Through this on-going $13 million partnership, VA benefits include:

- Financing Package to Pay for Projects Without Any Capital Expense from VA
- Reliable & Secure Source of Energy to Meet all Campus Needs
- Reduced Energy and Operation Costs to Fund Existing Hospital Mission
- Energy Self-Sufficiency for the VA Medical Center

As an added benefit, ESG was able to help VA plan and meet for the campus future by:

- Medical Center receiving a percentage of revenues from ALL energy sales to non-VA customers

Life-Time Savings Over $31 million

Partnership Highlights

Services provided by Energy Systems Group to the West Side Medical Center Campus:

- Financing and Bonding Package
- Guaranteed Energy Savings
- Engineering, Development, Design and Operation
- Measurement and Verification Services
- Project Management & Ongoing Staff Training
- Strategic Energy Master Planning

Key Installed Technologies at the West Side Medical Center Campus include:

- Complete Service Energy Center with
  - 3.4 MW of electric generation
  - 1 Heat Recovery Steam Generators (HRSG)
  - 2 package steam boilers
  - 50,000 pounds per hour of steam production for VA
  - 2000 tons per hour of chilled water supplied to VA
  - Dual-Fuel Capability for added energy security
- HVAC Systems
  - Upgrades and modifications to HVAC control systems for campus
  - Chilled water system improvements to maximize cooling effectiveness
- Steam Systems
  - Refurbish and retrofit existing steam supply system
  - Centralized steam supply from energy center for VA

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

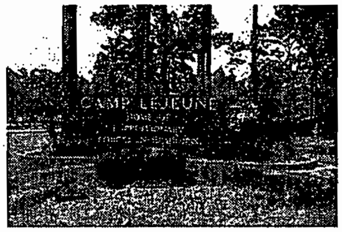
Marine Corps Base Camp Lejeune

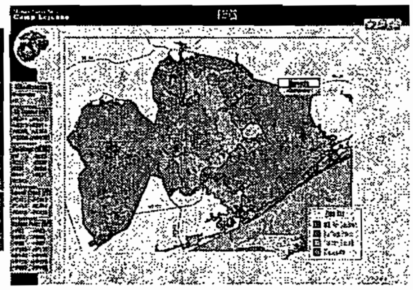
Jacksonville, North Carolina

Marine Base Increases Efficiency and Reduces Costs Through Innovative Performance Contracting Program

The Challenge

Marine Corps Base Camp Lejeune, "Home of Expeditionary Forces in Readiness" needed a way of reducing energy costs and increasing control over their facilities energy use without impacting existing budgets and effecting operations on the base.





"I'm very happy with the contracting effort I've seen in the GHP project....About half of the work on base is done by contractors and they are the best I've dealt with."
Colonel Thomas Phillips
Assistant Chief of Staff, I&E

The Results

Energy Systems Group proposed and implemented a unique and cutting edge solution that leveraged technology and information to dramatically improve the energy security for the entire base. In partnership with the base leadership, ESG developed a two-pronged approach to meeting the base's energy efficiency needs. The initial approach retrofit lighting and mechanical systems for more than 6 million square feet of facilities and installed Ground Coupled Heat Pumps (GCHP) to base housing units. The second stage implemented a base-wide energy management system, SiteNet™ Command Center. This $20+ million partnership benefits Camp Lejeune through:

- Financing Package That Pays For The Project Using Energy Cost Savings
- Reduced Energy and Operation Costs to Fund Existing Base Mission
- Improved Energy Security and Efficiency for the Base
- Increased Control and Reduced Costs of Energy Use At Base Facilities Using the Web-Based SiteNet™ Command Center

As an added benefit, ESG helped Camp Lejeune plan and meet for the bases future by:

- Leveraging SiteNet™ To Enable the Base Use Real-Time-Pricing to Reduce Electricity Costs.

Increasing Comfort....Increasing Energy Control

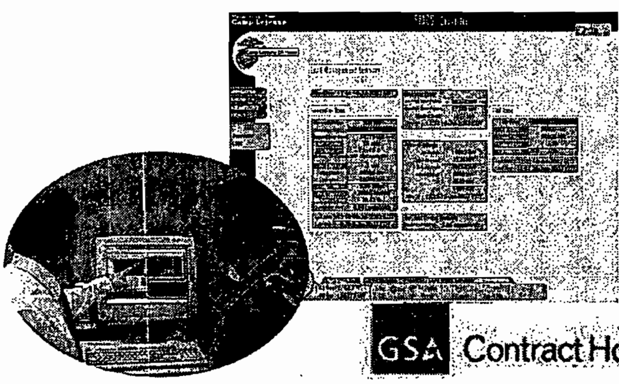
Partnership Highlights

Services provided by Energy Systems Group to the Marine Corps Base Camp Lejeune :

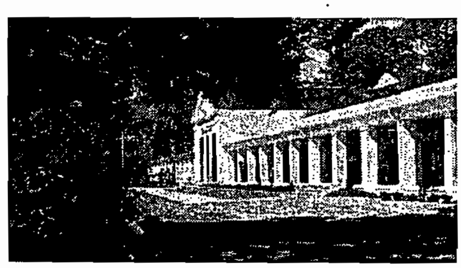
- Financing and Bonding Package
- Engineering, Development, Design and Operation
- Measurement and Verification Services
- Project Management & Ongoing Staff Training
- Strategic Energy Master Planning
- Integration of base controls through SiteNet™

Key Installed Technologies at the Marine Corps Base Camp Lejeune include:

- HVAC Systems
  - Commercial Ground Coupled Heat Pump System for Marston Pavilion
  - Lighting systems for 3.5 million square feet of facilities
  - 2000+ Ground Coupled Heat Pumps for family housing
- Control Systems
  - Upgrades and modifications to control systems for base
  - Installation and operation of web-based SiteNet™ Command Center
  - Integration of existing equipment control and load management systems
  - Web-based interface for real-time energy analysis and management system
  - Comprehensive software customization for Camp Lejuene operations
  - Integration into existing base computerized maintenance work order system (Maximo®)



GSA Contract Holder



As Historical Register facility, Marston Pavilion required significant HVAC modifications to meet base needs and code requirements which were accomplished under this project.

Imagine the Possibilities

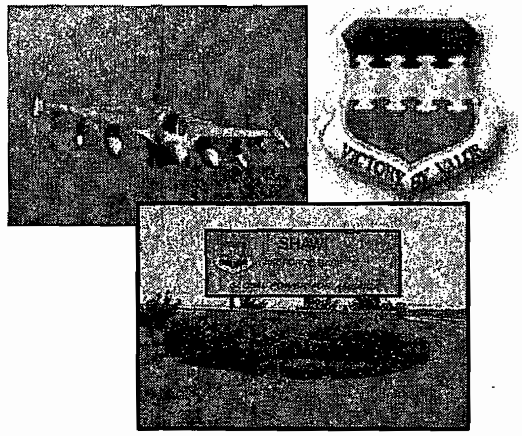
ESG ENERGY SYSTEMS GROUP

Shaw Air Force Base

Sumter, South Carolina

Air Force Base Takes Leadership Role In Energy Conservation Through Innovative Partnership

The Challenge



The engineering staff at Shaw Air Force Base wanted to take a leadership role in energy conservation for base facilities. They were looking for a partner that could deliver energy reductions and operations improvements to over 158 building and more than 1.9 million square feet of facilities without impacting existing budgets and base operation during these critical times.

The Results

Energy Systems Group designed and implemented an innovative solution that leveraged technology and a proven track record of performance to dramatically improve energy self-sufficiency for the base. In coordination with the base leadership, ESG crafted an energy strategy utilizing the Utility Energy Services Contract (UESC) in partnership with the local electric provider to install energy efficiency upgrades to base facilities and infrastructure which included lighting improvements, HVAC enhancements, steam system and boiler upgrades. This $5 million program and efficiency strategy benefits Shaw AFB through :

- Financing Package That Pays For The Project Using Energy Cost Savings
- Improved Energy Security and Efficiency for the Base
- Reduced Energy and Operation Costs to Fund Existing Base Mission
- A Comprehensive Energy Strategy That Identifies and Addresses Future Base Energy and Equipment Needs

As an added benefit, ESG's program helped Shaw AFB to:

- Leverage Energy Efficiency to Reduce Environmental Emissions and Increase Air Quality For the Base Without Spending Any Added Funds

Annual Energy Savings Over $500,000

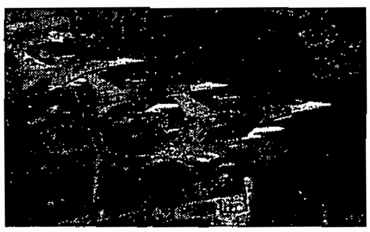
Partnership Highlights

Services provided by Energy Systems Group to the Shaw Air Force Base:

- Financing and Bonding Package
- Engineering, Development, Design and Operation
- Measurement and Verification Services
- Project Management & Ongoing Staff Training
- Strategic Energy Master Planning

Key Installed Technologies at the Shaw Air Force Base include:

- HVAC & Steam Systems
  - Boiler and heat pump replacements in fifteen buildings
  - ACCU, chiller, & other HVAC replacements in an additional fifteen commercial and industrial buildings
  - DDC and sensor replacements in seventy-eight commercial & industrial buildings
- Lighting Systems
  - Upgrades and modifications to all available base lighting systems
  - Retrofits of all base emergency exit lighting
- Energy Strategy
  - Detailed base energy analysis to identify opportunities
  - Comprehensive long-term strategy to address technical and financial energy needs

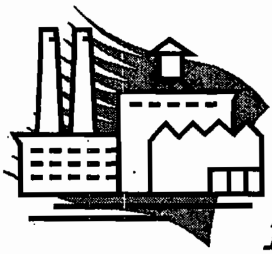


U.S. AIR FORCE

GSA Contract Holder

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP



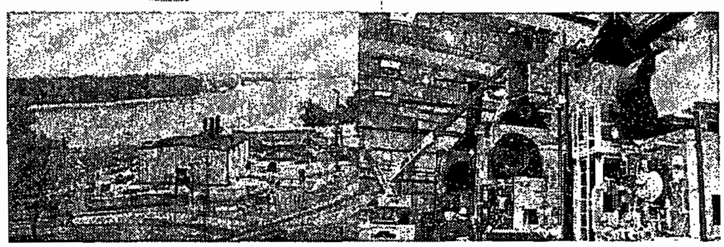
Bristol-Myers Squibb

Evansville, Indiana

Leading Manufacturing Company Reduces Energy Costs and Improves Facility Reliability Through Innovative Partnership

The Challenge

Mead Johnson Nutritionals®



Bristol-Myers Squibb's Evansville operations is one of the key production sites for their nutritional business and the leadership team wanted a partner to improve their facility and enhance the on-site energy production...... while reducing O&M costs, increasing energy efficiency, and minimizing long-term energy and financial business risks.

The Results

Energy Systems Group designed and implemented an energy center and strategic energy master plan that applied proven technology and innovative performance contracting techniques to significantly improve the energy efficiency and environmental impact of the operation. This $10.5 million ongoing partnership benefits Bristol-Myers Squibb's operation through:

- Improved Energy Efficient Steam Delivery for the Entire Campus
- Increased Energy Reliability and Safety Through New Technology Application
- Reduced Operating Costs Through Energy Efficient Equipment
- Guaranteed Energy Savings to Pay for the Program

As an added benefit, ESG was able to help Bristol-Myers enhance the local community and their operation by:

- Eliminating Air Emissions Through the Use of State-of-the-Art Steam Production Equipment and Operations Controls

Energy & Operational Savings Over $10.7 million

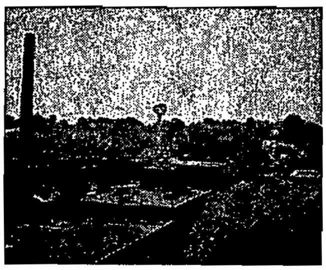
Partnership Highlights

Services offered by Energy Systems Group to the Bristol-Myers Squibb:

- Financing and Bonding Package
- Engineering, Development, Design and Operation
- Measurement and Verification Services
- Project Management & Ongoing Staff Training
- Alternate Energy Rate Analysis & Savings Achievement
- Strategic Energy Master Planning

Key Installed Technologies at Bristol-Myers Squibb include:

- Steam System
  - Natural gas steam boilers providing over 200,000 lbs/hr
  - Dealkalyzer system for steam supply
  - Steam control system enhancements
- Environmental Systems
  - Removed existing coal fueled facility
  - Improved emission control systems
- Strategic Energy Planning
  - Provided energy procurement strategy to minimize overall risk
  - Identified environmental strategy and options
- Water Systems
  - New metering systems to reduce waste water charges



Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

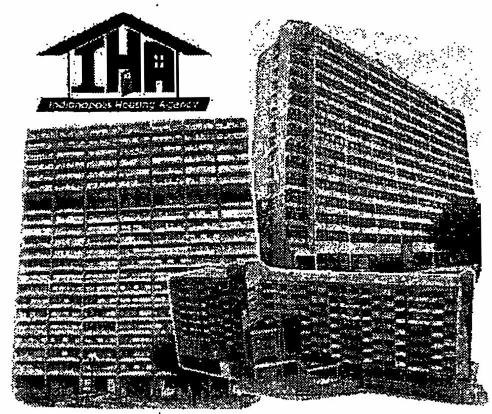
Indianapolis Housing Agency

Indianapolis, Indiana

Housing Agency Implements Strategic Energy Master Plan to Improve Buildings' Efficiency

The Opportunity

Upgrade facilities where more than 7000 Indianapolis families live and improve the long term efficiency of these buildings without any effect on existing budgets and impact to capital. Additionally, develop a long-term energy plan and strategy to see the agency well into the future.



"Our agreement with ESG allows us to deliver on our mission and commitment to provide a healthy and clean living environment for our residents and remain fiscally responsible."
Rufus "Bud" Myers, Executive Director of IHA

The Results

Energy Systems Group, in collaboration with the leadership of IHA, developed a long-range Strategic Energy Master Plan creating a map for IHA addressing their energy needs, on their time table and within their desired financing choices. From this partnership came the initial improvements to IHA properties to increase energy efficiency, reduce operation costs, and increase the comfort of the people living in these buildings. The benefits to IHA included:

- Financing Package Using Tax Exempt Bonds to Maximize Existing Budgets
- Guaranteed Energy Savings to Fund Existing Programs
- Upgraded HVAC & Lighting Systems to Increase Buildings' Life-Span
- New Boiler Systems to Improve Heating Comfort
- Overall Reduced Costs and Improved Services to IHA Clients

The ESG team was also able to leverage the designs to increase IHA's energy self-sufficiency and long-term cost management by moving from high-cost utility provided steam to using high reliability and lower cost internal boiler systems.

Annual Energy & Operational Savings Over $2.7 Million

Partnership Highlights

Services provided by Energy Systems Group to Indianapolis Housing Agency:

- Strategic Energy Master Planning
- Financing and Bonding
- Guaranteed Energy Savings
- Engineering, Development and Design
- Measurement and Verification Services
- Project Management

Key Installed Technologies in Indianapolis Housing Agency Facilities include:

- Steam Systems
  - New high efficiency boilers
  - Improvements to steam piping
- HVAC System Improvements
  - Upgrades to existing units to improve efficiency
  - New pumping and delivery system
  - Upgraded HVAC control systems
- New Domestic Hot Water Systems
- Lighting Upgrades
  - Replacement and upgrades of all space lighting
  - Upgrades to emergency and exit lighting

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

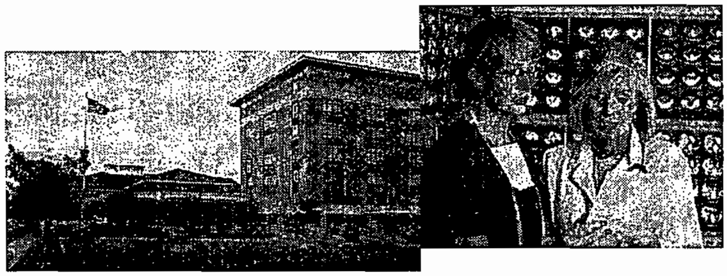
Columbus Regional Hospital

Columbus, Indiana

County Hospital Improves Facility and Reduces Energy Through Performance Contracting Partnership

COLUMBUS REGIONAL HOSPITAL

The Opportunity



Columbus Regional Hospital needed improvements to their building to reduce energy and operation expenses. The hospital's leadership also wanted a partner that had extensive experience and the ability to provide an innovative solution ahead of schedule and under budget.

The Results

Energy Systems Group developed and implemented a unique and innovative solution that exceeded the needs of this 500,000 square-foot hospital with a $1.3 million project. The ESG team focused on measures to upgrade the steam, cooling and pumping systems to dramatically improve the operation of the hospital support systems. The benefits to Columbus Regional Hospital included:

- *Guaranteed Energy Savings to Fund Primary Mission of Patient Care*
- *Upgraded HVAC Systems to Increase Facility Life-Span*
- *New Boiler Systems to Improve Hospital Heating*
- *Change From High Pressure to Low Pressure Steam to Increase Safety and System Effectiveness*
- *Improved Patient & Staff Comfort & Working Environments*

The ESG team was also able to leverage the design to upgrade the pumps and motors for the cooling system to gain added energy efficiency and consumption reduction.

Annual Energy & Operational Savings Over $1.3 Million

Partnership Highlights

Services provided by Energy Systems Group to Columbus Regional Hospital:

- Guaranteed Energy Savings
- Project Management
- Engineering, Development and Design
- Measurement and Verification Services
- Strategic Energy Master Planning

Key Installed Technologies at Columbus Regional Hospital include:

- Steam Systems
  - 2 new high efficiency boilers
  - Improvements to steam piping
  - Upgrades of all steam traps
  - New pumping system
  - Conversion from high pressure to low pressure steam delivery
- Chilled Water System
  - 3 new high efficiency chillers
  - New pumping and delivery system
  - Upgraded delivery system motors

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

St. Catherine Hospital

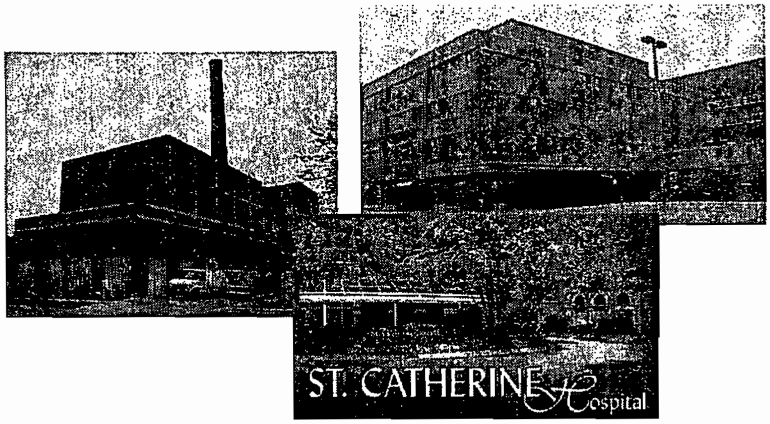
East Chicago, Indiana

Hospital Saves Energy and Improves Patient Comfort Through Performance Contracting Partnership

The Opportunity

St. Catherine Hospital was looking for an experience partner to help improve facility comfort, building life and energy efficiency while reducing operation costs and developing a long-range plan to address future energy needs. And all of this....

At No Effect to Existing Budgets



"The goal of this project is to improve redundancy and maximize energy efficiency. Ultimately, with a system that works better and cools the building reliably and more evenly, we will have more comfortable rooms, patients and employees."
JoAnn Birdzell, Administrator of St. Catherine Hospital.

The Results

Energy Systems Group developed a unique and innovative solution to support all of the energy needs of this 260 bed campus with a two phase implementation of this $6 million project. The benefits to St. Catherine's included:

- Guaranteed Energy Savings to Fund Primary Mission of Patient Care
- Financial Structure Assistance to Maximize Existing Budgets
- Upgraded HVAC & Lighting Systems to Increase Facility Life-Span
- New Chiller Plant to Improve Maximize Efficiency and Energy Flexibility
- Improved Patient & Staff Comfort & Working Environments

In a testament to ESG's capabilities and innovation, this project was designed and built to fit seamlessly into the existing architecture and provide flexibility to smoothly support the future growth of the hospitals services.

Annual Energy & Operational Savings Over $600,000

Partnership Highlights

Services provided by Energy Systems Group to St. Catherine Hospital:

- Guaranteed Energy Savings
- Financing Strategy Assistance
- Project Management
- Engineering, Development and Design
- Measurement and Verification Services
- Negotiation With Local Utility Provider
- Strategic Energy Master Planning

Key Installed Technologies at St. Catherine Hospital include:

- New central chilled water plant
  - Seamless fit architecture
  - Dual Fuel capabilities
  - Coupled chiller system design
- New chilled water distribution piping
- Variable speed pumping system
- New automation control system integrated into existing energy management system.
- Steam trap retrofit
- Lighting system retrofit and upgrades

Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

Good Samaritan Hospital

Vincennes, Indiana

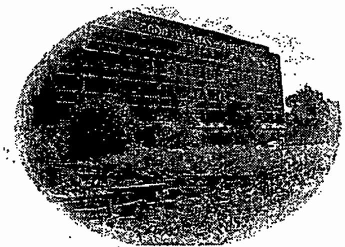
Hospital Saves Energy and Money Through Facility Improvements and Real-Time Energy Pricing

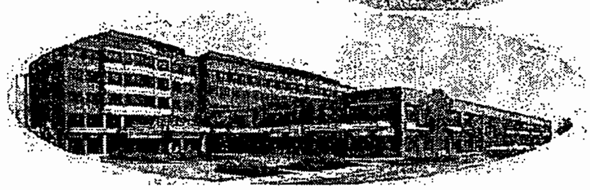
The Opportunity

Good Samaritan Hospital was looking for a trusted partner to help reduce facility energy and operation costs while improving the facility and reliability of energy supply....

At No Capital Cost

GOOD SAMARITAN HOSPITAL





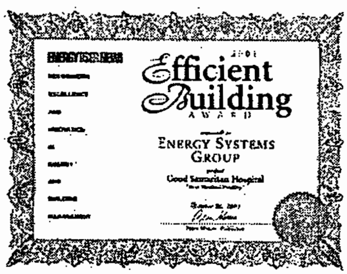
"If we had not been as forward thinking in making renovations and changing the power plant, we would have spent that money for energy. Now those funds can be used for other programs, acquisition of new medical equipment and help pay for indigent care.."
Scott Kaminski,
Vice President of Professional and Support Services

The Results

Energy Systems Group in partnership with the leadership of Good Samaritan Hospital, developed an innovative and functional solution to support all of the energy needs of this 260 bed campus with a three phase implementation of this $10 million project. The benefits to Good Samaritan included:

- Guaranteed Energy Savings to Fund Primary Mission of Patient Care
- Financing Package to Maximize Existing Budgets
- Upgraded HVAC & Lighting Systems to Increase Facility Life-Span
- New Generator System to Improve Security and Reduce Electricity Costs Through Peak Shaving
- Improved Patient & Staff Comfort & Working Environments

In a testament to ESG's capabilities, this project was recognized with the 2001 Energy User News "Best Medical Facility" Energy Efficiency Building Award



Annual Energy & Operational Savings Over $1.3 Million

Partnership Highlights

Services provided by Energy Systems Group to Good Samaritan Hospital:

- Guaranteed Energy Savings
- Innovative Financing Package
- Project Management
- Engineering, Development and Design
- Measurement and Verification Services
- Negotiation With Local Utility Provider
- Strategic Energy Master Planning

Key Installed Technologies at Good Samaritan Hospital include:

- Lighting Systems
  - New lighting systems throughout hospital
  - Retrofit upgrades to emergency space and exit lighting systems
- HVAC Systems
  - New central chilled water plant
  - New air handling systems
  - New variable pumping systems and controls
  - New distribution system
- Water Conservation
  - New irrigation and mechanical wells
  - Improved valves and water closets
- Emergency Generation
  - New generator and associated electrical equipment installation
  - Negotiation with utility to apply RTP rate

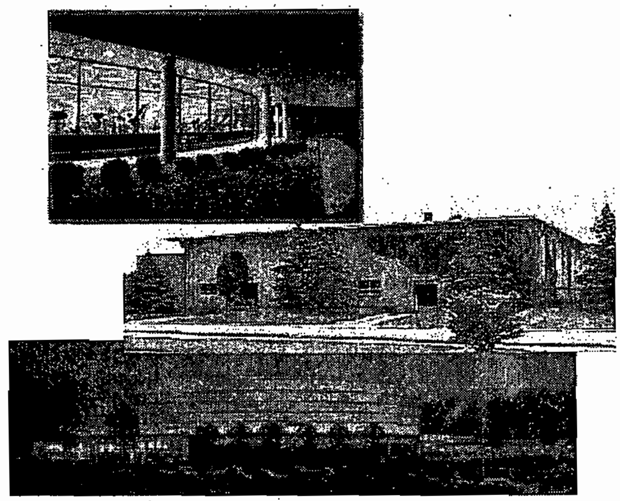
Imagine the Possibilities

ESG ENERGY SYSTEMS GROUP

Northern Illinois University

DeKalb, Illinois

ESG and NIU Leverage Illinois Legislation to Apply Performance Contracting for Campus-Wide Improvements



The Opportunity

Northern Illinois University, located 65 miles northeast of Chicago, needed a partner to modernize the campus and associated facilities without increasing operational costs or capital budgets. The main goal ... to focus precious dollars on the mission of educating students in a comfortable and safe environment.

The Results

In collaboration with the leaders of NIU, Energy Systems Group developed unique campus solutions and a long-term strategy to implement over $14 million in multiple projects providing:

- Financing Package Requiring No Capital From the University
- Guaranteed Energy Savings to Reduce Costs and Stretch Existing Budgets
- Upgraded HVAC, Lighting, and Electrical Systems in 58 buildings
- 2,400 Tons of New Chillers to Centrally Condition Half of the Campus Increasing Efficiency and Reducing Costs
- New HVAC System for 10,000 Seat Convocation Center Increasing Facility Flexibility
- Improved Student & Staff Learning Environments and Comfort

To further NIU's commitment to education and technology, ESG was able to develop a scholarship program for the School of Engineering which helps students benefit directly from the energy and operational savings generated from this partnership.

Annual Energy & Operational Savings Over $1.9 Million