



Midtown Eco Energy, LLC
C/O Kandiyohi Development Partners
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March 7, 2007

Greg Goeke
Public Works
Room 223 City Hall
350 South 5th Street
Minneapolis, MN 55415

Re: Request for Extension of Option Agreement on Property at 2850 20th Ave. South

Dear Mr. Goeke,

Midtown Eco Energy is requesting an extension of one year to exercise the option to purchase 2850 20th Avenue South. This extension would give Midtown Eco Energy (MEE) until March 30, 2008 to exercise the option and until October 2008 to close on the purchase of the property. The primary necessity of the extension is that power purchase negotiations entail a great deal of time and their conclusion is not on any predetermined schedule. Thus if an agreement is not reached in the next 90 days the ability to commence the project during the 2007 construction season is in jeopardy. With additional time, we are confident that an agreement will be reached and the project will be successfully completed.

In support of this Request for Extension the Buyer offers the following data to show that in fact the Buyer has made substantial progress towards the completion the Option Requirements as defined in the Option Agreement section 4.2

1. With an agreed to Power Purchase Agreement, MEE will pay the city the entire option price and give a 130 day notice to Seller to vacate the site in preparation for construction. Prior notice agreed to in the option agreement is 90 days. . Payment of the entire option price will be accompanied by a letter of notification to vacate the property.
2. On December 8, 2006 the Buyer submitted its application materials to the State of Minnesota's Pollution Control Agency to request issuance of an air permit as necessary to build and operate the Project. MEE representatives have met with MPCA staff assigned to application and have scheduled bi-monthly conference calls with them. An addendum to the full application was also submitted on February 21st as a result of site plan and changes in equipment size. An executive summary of the addendum is attached. With the review of the application is underway, a permit is expected to be issued early summer 2007.

3. In March 2007 the Buyer completed architectural drawings with the assistance of LHB architects and engineers and will be in the position to submit a final site plan and application materials to the City of Minneapolis for a conditional use permit on or before March 31st. A copy of the site plan and elevations developed for the CUP application are attached.
4. The Buyer has made substantial progress in obtaining financing commitments for both the debt and equity requirements sufficient to finance the project. Meetings in early March with Piper Jaffray and Winthrop Weinstein indicate that the process to close on financing will take 45-90 days and that the pricing and major business terms of the Power Purchase Agreement currently under negotiation will support the debt and equity financing necessary to complete the project. A summary of sources and uses is attached as well as a letter from Piper Jaffray.

The Buyer has submitted a formal power purchase agreement to two power companies and term sheets to several others. The negotiation time of these agreements are the primary reason for requiring an extension of the exercise date of the purchase option. We have found that PPAs can take several months to finalize and the length of negotiation is not dependent on the attractiveness of the project or its price, but rather its place in the cue and fitting it in to the overall strategic planning process of the individual power companies.

5. Seller has completed a survey and title policy for the Project site and will not have title issues to raise with the City prior to closing. The true property lines derived from the survey are integrated with the site plan. When researching the property lines, Surveyors Olsson Associates discovered that the Pioneer and Soldier Cemetery is encroaching on the West side of the 2850 property by approximately 10 feet. MEE does not intend to utilize this 10 feet and would like to work with the City to delineate property lines and make changes to title as needed. A copy of the "Commitment to Insure Title" from Old Republic Title is attached.
6. As of August 11, 2006 the Buyer entered into a Standard Form AIA Agreement for final construction of the Project with McGough Construction of St Paul, Minnesota. Copy of agreement provided in previous correspondence.
7. As of November 30, 2006 the Buyer completed Final Design Engineering for the Project including both the Power Facility itself as well as the District Energy portion to Chicago and Lake of the Project. A preliminary routing plan and all-in capital budget for the hot water piping between Midtown Exchange, Abbott Northwestern Hospital and the facility is attached.
8. The Buyer is proceeding with community meetings from April – June 2007 and will be working with the neighbors to develop and implement a good neighbor agreement. A preliminary schedule for the neighborhood meetings is included along with a copy of a draft good neighbor agreement signed between Roc-Tenn and St. Paul neighborhood representatives.

We are aware that the next T & PW committee meeting is on March 20th and we respectfully request that action on our request be heard at that committee meeting. Thank you.

The undersigned does hereby attest that the foregoing statements are true and accurate.

Midtown Eco Energy LLC

By:

A handwritten signature in black ink that reads "K.W. Havey". The signature is written in a cursive style with a long horizontal stroke extending to the right from the end of the name.

Its: Principal