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June 17, 2004

VIA FACSIMILE

Mr. John Koty
Sandman, Inc.
14519 Pinewood Drive
Orland Park, IL 60467
Fax: (708) 460-2157

Re: Natural Gas Service Easement to Provide Gas Service to
Recycling Systems, Inc. at 3154 S. California Ave., Chicago, IL

Dear Mr. Koty:

I am writing in response to the letter from Susan Morakalis of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) dated May 25, 2004 regarding the terms of an easement to provide gas service to your client, Recycling Systems, Inc. (RSI) and the proposed revisions to the draft easement agreement (easement dated 5-20-04, hereinafter referred to as "Draft Easement").

Peoples has reviewed the Draft Easement carefully. The terms of Draft Easement still fail to provide Peoples with reasonable access for the purpose of providing gas service to RSI. In particular, as previously expressed, Peoples objects to the voluminous environmental terms and conditions contained in Article 9 of the Draft Easement. These terms are not tailored to a gas service easement, yet apparently are not open to negotiation.

In addition to the environmental provisions, the Draft Easement tendered does not contain certain other provisions that Peoples has proposed and considers critical. For example, Department of Transportation regulations prohibit the construction of a permanent structure over a gas service pipe. Therefore, the easement must expressly prohibit the same in accordance with Peoples' previous comments. (See comments on Paragraphs 1.02 and 3.01 contained in my May 13, 2004 letter to you.) In addition, Peoples needs to have ultimate control over the design, construction and installation of the gas facilities at the premises, which would need to be performed in accordance with Peoples' standards based on Peoples' expertise in these matters. Article 3 of the Draft Easement continues to suggest that the MWRD would ultimately have decision-making authority. Therefore, this provision, too, is unacceptable and needs to be modified to

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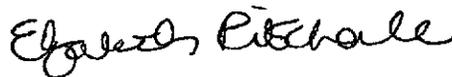
incorporate the comments contained in my May 13 letter to you. (See comments on Paragraph 2.02 set forth therein.)

As the parties have previously expressed, Peoples and RSI will need to enter into an agreement regarding the costs associated with the Draft Easement. In that regard, please note that it is not Peoples' practice to remove underground service piping upon termination of an easement agreement or for other reasons. Peoples' requests that the easement be modified to reflect its practice have been rejected. (See, for example, Paragraph 5.01 of Draft Easement.) Therefore, in order to go forward, in addition to resolving the issues referenced above, RSI must agree to pay any costs of subsurface pipe removal. Also, the Draft Easement continues to impose a variety of other financial obligations on Peoples, e.g. payment of an easement fee, real estate taxes, etc. As previously stated, RSI will need to assume payment for all of these obligations in its direct agreement with Peoples.

For your information, Peoples also wishes to respond to an additional point raised by the MWRD regarding prior easement agreements between the MWRD and Peoples. The MWRD contends that Peoples has entered into easements comparable to the Draft Easement with the MWRD in the past. Peoples has reviewed its records and in fact has not entered into any comparable easements with the MWRD for gas service lines. While Peoples has entered into easements with the MWRD in connection with installing large diameter transmission or distribution lines, the terms of those easement agreements are not relevant here because they reflect a very different use of the property by Peoples.

In sum, it continues to be Peoples' position that RSI is not affording it reasonable access to provide gas service. If the issues described herein can be resolved to RSI and Peoples' mutual satisfaction, Peoples remains willing and able to provide RSI with gas service at the subject premises.

Sincerely,



Elizabeth M. Ritscherle

Cc: S. Morakalis (MWRD) (via fax)
R. Barbakoff (PGL) (via email)

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