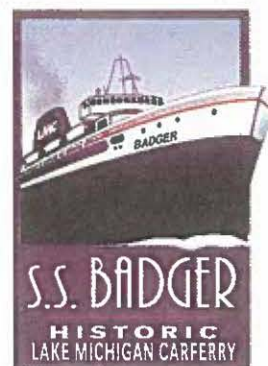


December 20, 2013

VIA FIRST CLASS U.S. MAIL

Contains Confidential Business Information



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U.S. Department of Justice
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77 W. Jackson Blvd. (W-15J)
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Re: *United States v. Lake Michigan Trans-Lake Shortcut, Inc., d/b/a Lake Michigan Carferry Service and S.S. Badger*, No. 1:13-cv-317, DOJ Case No. 90-5-1-1-10771 (W.D. Mich.)

Dear Sir or Madam:

This letter is being sent pursuant to the reporting requirement in Paragraph 43 of the Consent Decree in *United States v. Lake Michigan Trans-Lake Shortcut, Inc., d/b/a Lake Michigan Carferry Service and S.S. Badger*, Civil Action No. 13-00317 (W.D. Mich. Entered into Oct. 10, 2013). Paragraph 43 of the Consent Decree requires Lake Michigan Carferry ("LMC") to submit a written progress report on or before December 31, 2013 the status up until October 31 of the calendar year of: 1) LMC's progress toward implementing Section IV (Permanent Cessation of Coal Ash and Coal Ash Slurry Discharge); 2) any Section IV requirements completed; 3) any problems encountered or anticipated in implementing any Section IV requirements; 4) a summary of all permitting, certification, and approval activity pertaining to compliance with the Consent Decree and the status of any necessary permit, certification and approval applications; and 5) the amount of coal ash and coal ash slurry discharged during the Operating Season.

Although only required to submit the status up until October 31, 2013, in the interest of making sure you have as much information as is reasonably possible, this letter and its attachment report on the status of LMC's progress from January 1, 2013 until December 1, 2013. During this time, LMC has completed the following items in the interest of implementing Section IV of the Consent Decree:

- Removed all eight original stokers / coal feeders from boilers.
- Submitted drawings to the American Bureau of Shipping ("ABS") for the replacement of boiler fronts.
- Received authorization to move forward on the boiler front replacement from the ABS.
- Began preparing the boilers to receive new combustion control system.
- Submitted a purchase order to [REDACTED] for eight new stokers / coal feeders (which are part of the new combustion control system).
- Removed the majority of what remained of the original boiler controls.
- Began upgrading the electrical distribution system.
- Began the processes of upgrading combustion / forced draft fans.
- [REDACTED] has completed the groundwork design and engineering for the combustion controls.
- LMC submitted a purchase order to [REDACTED] for the majority of the combustion control components, more detailed engineering, and regulatory submittals for the combustion control system.

LMC has not encountered problems thus far in implementing Section IV requirements.

As you know Paragraph 32 of the Consent Decree requires a reduction in coal ash discharge in 2013 as compared to 2012, and LMC is pleased to report it achieved that. The attached spreadsheet details the amount of coal ash and coal ash slurry discharged during the 2013 Operating Season pursuant to paragraph 43(5) of the Consent Decree. This data shows that the Badger achieved over a 28% daily reduction in ash discharge compared to the 2012 Operating Season.- far better than was required under the Consent Decree milestones. This translates to a reduction of approximately 253 net tons of ash discharged in 2013 from 2012. This was the result of LMC using coal with an ash content below what was allowed by the Consent Decree and LMC's continuing efforts to ensure the boilers and steam engines on the Badger are operating as efficiently as possible. LCM achieved that even though it used slightly more coal per Operating Day than the prior year. This slight increase in coal consumption was the result of the LMC accommodating requests to transport wind turbines across Lake Michigan for use in a number of renewable energy projects in the Midwest. LMC's effort not only contributed to the development of renewable energy projects, but reduced emissions that would have occurred had

these turbines been transported by truck around Lake Michigan. LMC appreciates your consideration in this regard.

Certification

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on any personal knowledge I may have and my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Please do not hesitate to contact me if you have questions or require additional information.

Very truly yours,

A handwritten signature in cursive script that reads "Charles R. Leonard". The signature is written in black ink and is positioned above the typed name and title.

Charles R. Leonard
Vice-President, Navigation
Lake Michigan Carferry Service

Attachment

Coal Usage/Ash Discharge Comparison 2012 and 2013 Operating Seasons

Year 2012	Tons	Year 2013 (4/30/2013)	Tons
Beginning Badger Inventory (Visual estimate)	250	Beginning Badger Inventory (Visual estimate)	250
Beginning Dock Inventory (City of Manitowoc estimate)	7763	Beginning Dock Inventory (City of Manitowoc estimate)	53
Purchases (From invoices)	1953	Purchases (From invoices)	9849
(Ending Badger Inventory) (Visual estimate)	-250	(Ending Badger Inventory) (Visual estimate)	-300
(Ending Dock Inventory) (City of Manitowoc estimate)	-53	(Ending Dock Inventory) (CRCC invoice)	0
Total Estimate of Coal Consumed	9663	Total Estimate of Coal Consumed	9852
Number of Operating Days	168	Number of Operating Days (Through October 2013)	164
Average Daily Coal Consumption	57.518	Average Daily Coal Consumption	60.1

2012 Operating Season - Avg. Daily Use N/T Coal 57.518 x 8.69% Ash = 4.998 N/T Ash

2013 Operating Season - Avg. Daily Use N/T Coal 60.1 x 5.95% Ash* = 3.576 N/T Ash

2013 Operating Season - During the season, approximately 586.464 N/T ash were discharged with approximately 35,313,751 gallons of water.**

The 2013 sailing season had a 28.46% average daily reduction in ash discharged as compared to the 2012 season.

* Supporting data is contained in the Ash Report submitted on October 22, 2013 and November 6, 2013.