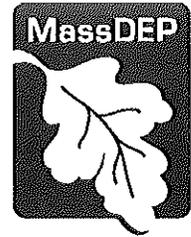




**MASSACHUSETTS WATER POLLUTION
ABATEMENT TRUST**



April 2, 2013

Julian M. Suso, Town Manager
Town Hall
59 Town Hall Square
Falmouth, MA 02540

Dear Mr. Suso,

This letter follows up on the telephone call by Commissioner Kenneth Kimmell, of the Department of Environmental Protection (“DEP”), to Julian Suso, the Town Manager of Falmouth, Massachusetts (the “Town”) on Friday, March 29, 2013 concerning the Wind Turbine project at the Town’s waste water treatment facility (“Wind II”) that was funded with moneys provided through the American Recovery and Reinvestment Act of 2009 (“ARRA”). As the Commissioner indicated in that call, DEP and the Water Pollution Abatement Trust (the “Trust”) cannot unconditionally approve the Project Completion Certificate submitted by the Town to DEP on March 14, 2013 for Wind II if it has reason to believe that Wind II may cease operations.

Outside legal counsel has advised that Wind II is subject to specific provisions of ARRA and applicable federal regulations and guidelines (“Federal Law”) in addition to the terms and conditions of the Project Regulatory Agreement (“PRA”) and the Loan Agreement associated with the funding of Wind II. Under Federal Law and the PRA and Loan Agreement, the Town must maintain Wind II as an “energy efficiency” project, as described in EPA guidelines dated March 2, 2009, in order to benefit from the financial subsidy provided by the Trust under ARRA and the Trust’s Clean Water State Revolving Fund program. Under federal regulations governing the Trust’s ARRA grant at 40 CRF Part 31.30(d)(1), if the Town chooses to change the scope or objectives for Wind II in any significant manner, the Town will have to request the Trust’s prior written approval. If the change is such that Wind II continues to be used in a manner that is consistent with an “energy efficiency” project, the Trust will be able to approve such a change. But if the change would result in Wind II being used in a manner that is not consistent with an “energy efficiency” project (for example either ceasing operations or curtailing them to the extent that Wind II operates for only a very limited period of time each day), the Trust will not be able to approve the request and the Town will not be allowed to utilize the ARRA funds with principal forgiveness. Federal regulations at 40 CFR 31.30(f)(3) states that a grantee, such as the Trust, “will not approve any budget or project revision which is inconsistent with the purpose or terms and conditions of the Federal grant to the grantee.” Thus, the Trust’s disapproval of such a change is compelled by Federal Law.

Because of the foregoing requirements of Federal Law and actions taken by the Falmouth Board of Selectmen and warrant articles that will be considered by the April 8, 2013 Falmouth Town Meeting, the Trust is requiring that the Town provide it with "further assurances," pursuant to section 20 of the Loan Agreement, as follows:

First, DEP will conduct its normal completion audit in response to the Town's submission of its Project Completion Certificate to DEP;

Second, the Trust will require that the Town enter into an agreement to operate Wind II at a level that permits it to continue to qualify as an "energy efficiency" project in accordance with DEP requirements for the duration of the Loan;

Third, upon the signing of the agreement, the Trust will conditionally forgive principal repayment by waiving the payment of principal and interest under the Note and amending Schedule C to the Loan Agreement accordingly, to be in effect so long as there is no default under the agreement;

Fourth, the agreement will include on-going reporting requirements and auditing procedures with respect to the project to ensure that Wind II continues to operate as an energy efficiency project for the duration of the loan; and

Fifth, in the event that the project ceases to function as an energy efficient project, the Trust will amend Schedule C to reinstate the Town's obligation to pay principal and interest on the Loan and take such other actions as it deems necessary or appropriate to ensure compliance with Federal Law, the PRA, and the Loan Agreement.

If you have any questions regarding the foregoing, please call me at (617)367-9333 x816.

Very truly yours,



Susan E. Perez
Executive Director
MWPAT

and



Kenneth L. Kimmell
Commissioner
MassDEP