

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT (the "Agreement") is made and entered into as of 11/4/30, 2007, by and between the RHODE ISLAND DEPARTMENT OF ENVIRONMENTAL MANAGEMENT (the "DEM") and PAWTUCKET HYDROPOWER, LLC ("Pawtucket"), (collectively, the "Parties").

WHEREAS, Pawtucket is the owner of the Main Street Dam (also known as Pawtucket No. 2), located in Pawtucket, Rhode Island more fully described in deeds recorded in Volume 1094, pages 155 – 162, of the City of Pawtucket Land Evidence Records; and

WHEREAS, the Parties desire to provide upstream and downstream fish passage at the Main Street Dam; and

WHEREAS, the passage of anadromous fish at the dam will enhance the population of anadromous fish in the Blackstone River watershed; and

WHEREAS, the Parties recognize the importance of promoting renewable energy resources in Rhode Island and the value of preserving the energy production and economic viability of this hydroelectric plant as contributing to the state's renewable energy goals; and

WHEREAS, the Parties agree that this Agreement will further the mutual interests of all Parties;

NOW THEREFORE, in consideration for the foregoing promises and other good and valuable consideration, the receipt and sufficiency whereof being hereby acknowledged, the Parties agree as follows:

SECTION 1: SCOPE OF AGREEMENT

1. The Parties agree to perform the tasks assigned below in accordance with the terms and conditions contained herein.
2. Pawtucket agrees to make the payments required below in accordance with the terms and conditions contained herein.

SECTION 2: APPLICABILITY

The provisions of this Agreement shall apply to and be binding upon DEM, Pawtucket and their agents, servants, employees, successors, assigns, designees, and all persons, firms and corporations acting under, through and for them in the performance of work relating to or

impacting the requirements of this Agreement. Each party to this Agreement represents that they are fully authorized to enter into the terms and conditions of this Agreement and to legally bind such Party to such terms and conditions.

SECTION 3: PAWTUCKET'S OBLIGATIONS

1. Pawtucket shall enter into a mutually acceptable contract with the U.S. Department of Agriculture, Natural Resources Conservation Service ("NRCS") to implement a Wildlife Habitat Incentive Program fish passage project at the Main Street Dam. Said contract shall be signed by June 1, 2007. Failure to sign said contract by stated date will render this Agreement null and void.
2. Pawtucket agrees to work with NRCS towards mutually acceptable fishway designs developed by NRCS, which shall be based on, and adhere to, U.S. Fish and Wildlife Service fishway design criteria for upstream and downstream passage. These fishway designs, and ultimate construction of the fish passage facilities, will be compatible with continued viable operation of the hydroelectric plant.
3. Pawtucket will contribute One Hundred Thousand (\$100,000) Dollars to be used as a contribution to the matching funds required by the NRCS, in compliance with the NRCS schedule, to assist with the capital costs of constructing fish passage facilities at the Main Street Dam. The Parties agree that this amount will constitute the entire sum Pawtucket will make towards the capital costs of designing and constructing any upstream and downstream fish passage facilities at the Main Street Dam. Further, the Parties agree that if the additional required matching funds for the capital costs to the complete fish passage project cannot be obtained, the project will not go forward, and all monies contributed by Pawtucket pursuant to this paragraph will be returned to Pawtucket.
4. Within thirty (30) days of receipt by Pawtucket of written notice by DEM that the construction of the fish passage facilities has been completed, Pawtucket shall begin making annual payments to the DEM in the amount of Four Thousand (\$4,000) Dollars to compensate the DEM for assuming responsibility for the annual operation and maintenance of the fishways. Said payments shall continue for each year that the fish passage facilities are operational and shall be adjusted annually based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers.
5. Pawtucket shall provide all flows necessary to operate the fishways (upstream and downstream) effectively during the passage seasons, defined in Appendix A, provided that all flows are also compatible to provide flow consistent with the viable operation of the hydro plant. This will be accomplished by incorporating data and results of the NRCS's Engineering and Design Services Study: Hydrology and Hydraulic Analysis Impacts to Hydro Generation Facilities and Environmental Assessment for the Blackstone River Fish Passage Restoration Project, to be completed in January 2008. The Scope of Work for this study will include development and analysis of hydrology and hydraulic models to determine the design parameters for the three fish passage

projects contemplated for the Blackstone River and to determine and mitigate impacts to the generation of hydro-electric power. A mutually agreed upon project alternative will be selected by Pawtucket, NRCS, and DEM to maximize fish passage restoration while maintaining hydropower generation viability.

6. Within sixty (60) days of receipt by Pawtucket of written notice by DEM that the construction of the fish passage facilities has been completed, Pawtucket shall develop and submit for DEM's review and approval an operation and maintenance plan to ensure flows necessary to operate the fishways (upstream and downstream) effectively during the passage seasons defined in Appendix A.
7. The initial year of operation of the fish passage facilities shall be used as a "shakedown period" intended to ensure that the facilities are operating as designed and to make minor adjustments to the facilities and operation. At the end of the shakedown period, Pawtucket shall have a licensed engineer certify that that the facilities are constructed as designed in all material respects.
8. Pawtucket shall allow any representative of the DEM to enter the property on which the dam and fishways are located at any reasonable time for the purpose of monitoring and performing the actions required by this Agreement.
9. Pawtucket shall be responsible for all maintenance activities not directly related to fish passage operations (e.g., trashrack cleaning).

SECTION 4: DEM'S OBLIGATIONS

1. Upon completion of fishway construction, DEM shall assume responsibility for the operation and maintenance of upstream and downstream fish passage facilities at the Main Street Dam, including ensuring the fishways are free of debris, gates and/or stoplogs are installed or removed as necessary, etc.
2. Recognizing that one of the mutually agreed upon goals of this Agreement is to establish the monetary contribution sought from Pawtucket towards this fish passage project, the DEM covenants not to take any other administrative, judicial or other action, either alone or together with other state and/or federal agencies, to obtain further funding from Pawtucket towards the design, construction, or operation of the subject NCRS/PH fish passage project at this location, beyond the amounts specifically committed by Pawtucket in this Agreement.

SECTION 5: GENERIC

1. If the Main Street Dam is sold or otherwise transferred by Pawtucket to another entity, all of the rights, obligations, and responsibilities under this Agreement shall be assigned to

that entity and Pawtucket shall be released from its obligations and responsibilities under this Agreement.

2. Nothing in this Agreement shall preclude the DEM from complying with its obligations under the National Environmental Policy Act, the Fish and Wildlife Coordination Act or any other applicable state or federal laws or regulations. However, by entering into this Agreement the DEM represents that it believes its statutory obligations are, or can be, met consistent with this Agreement.
3. Nothing in this Agreement shall be construed as binding the DEM to expend in any one fiscal year any sum in excess of appropriations made by the Rhode Island legislature or administratively allocated for the purpose of this Agreement for the fiscal year, or to involve the DEM in any contract or other obligation for the future expenditure of money in excess of such appropriations or allocations.
4. Nothing in this Agreement shall relieve Pawtucket or any entity to whom the Main Street Dam is otherwise transferred from its legal duties, obligations and liabilities resulting from ownership or operation of the Main Street Dam. No action for damages sustained through the partial or total failure of these structures or their maintenance shall be brought or maintained against the State of Rhode Island, the Director of Environmental Management, or his employees or agents. Nothing in this Agreement shall be construed as a waiver of the sovereign immunity of the State of Rhode Island.
5. Pawtucket or any entity to whom the Main Street Dam is otherwise transferred shall indemnify, defend and hold harmless the State of Rhode Island from and against all actions, claims or liabilities arising, directly or indirectly, out of Pawtucket's or its guarantor's acts, duties and obligations as set forth in the Agreement; and from all damages, losses, costs and expenses, including but not limited to attorney's and other professional's fees that may arise out of such claims and/or liabilities for bodily injury, death and/or property damage. Specifically, the State of Rhode Island shall not bear any liability for costs of design, construction or of maintenance, or other costs stemming from the operation of fish passage facilities at the Main Street Dam.

SECTION 6: GOVERNING LAW AND COMPLIANCE WITH LAWS

The Parties agree that the law governing this Agreement shall be that of the State of Rhode Island. Both shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local governments.

SECTION 7: OWNERSHIP OF MATERIALS

All reports, documents, or other materials developed or discovered in the course of the performance of the activities required hereunder shall be and remain the property of the Parties without restriction or limitation upon their use.

SECTION 8: WAIVER

The Parties agree that waiver by either party of any breach or violation of any term or condition of this Agreement shall not be deemed to be a waiver of any other term or condition contained herein or a waiver of any subsequent breach or violation of the same or any other term or condition. The acceptance by a party of the performance of any work or services by the other party shall not be deemed to be a waiver of any term or condition of this Agreement.

SECTION 9: TERMINATION

If either party fails to perform any of its material obligations under this Agreement, in addition to all other remedies provided by law, the other party may terminate this Agreement immediately upon written notice. This shall be the sole remedy of the parties for any default to the terms and conditions of this agreement. In the event that this Agreement is terminated, the DEM's obligations as set forth in Section 4 Paragraph 2 shall be deemed voided and nothing in this Agreement shall be deemed to prevent the DEM from seeking other available relief, including but not limited to, filing requests for assistance with the Federal Energy Regulatory Commission ("FERC").

SECTION 10: BOOKS AND RECORDS

1. The Parties shall maintain all documents and records which demonstrate performance under this Agreement for a minimum period of three (3) years, or for any longer period required by law, from the date of completion of the subject performance.
2. Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit, at any time during regular business hours, upon written request by a designated representative of either party.
3. Each party shall make available to the other party such other records under its control as may be reasonably required for the Parties to perform under this AGREEMENT.

SECTION 11: NOTICES

All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be personally served or mailed, postage prepaid, and addressed to the representative Parties as follows:

For DEM: Mr. John O'Brien Deputy Chief
State of Rhode Island Department of Environmental Management
Division of Fish and Wildlife
4808 Tower Hill Road
Wakefield, Rhode Island 02879

For Pawtucket: Mr. Charles Rosenfield
Pawtucket Hydropower, LLC
87 Senexet Road
Woodstock, Connecticut 06281

Notice shall be deemed effective on the date personally delivered or, if mailed, three (3) days after deposit in the mail.

SECTION 12: VENUE

In the event that suit is brought by either party to this AGREEMENT, the Parties agree that venue shall be exclusively vested in the state courts of the County of Providence, or where otherwise appropriate.

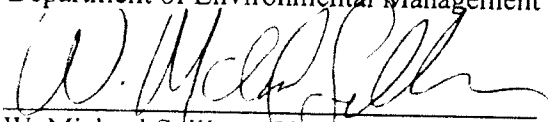
SECTION 13: PRIOR AGREEMENTS AND AMENDMENT

This Agreement, including all exhibits attached hereto, represents the entire understanding of the Parties as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder.

This Agreement may only be modified by a written amendment duly executed by the Parties to this Agreement.

Duly Authorized Representatives:

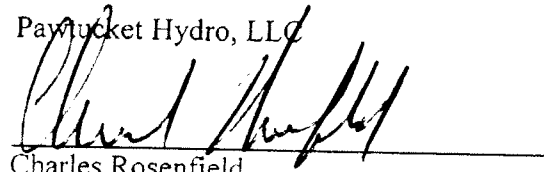
State of Rhode Island
Department of Environmental Management



W. Michael Sullivan, PhD, Director

Date: 5-30-07

Pawtucket Hydro, LLC



Charles Rosenfield,
Secretary-Treasurer of Sole Member

Date: 5/30/07

APPENDIX A

**BLACKSTONE RIVER
FISH PASSAGE OPERATIONAL CRITERIA**

Table 1. Upstream and downstream migration periods for target fish species to be restored to the Blackstone watershed.

Species	Upstream Migration Period	Downstream Migration Period
American shad Alewife Blueback herring	April 1 – June 30	Sept. 1 – November 15 (juv.) June 1 – July 15 (adult)

Table 2. Flows required to operate fishways effectively

Fishway Type	Flow required (in cfs)
Denil ladder (standard 4-ft. wide)	2' min. to 4' max. depth (7-35 cfs) in ladder plus attraction flow combined to equal at least 3% of hydraulic capacity at project (44 cfs for Main Street)
Downstream bypass facility	2-3% of hydraulic capacity if angled racks; up to 5% of hydraulic capacity if racks perpendicular to flow (from 30-74 cfs at Main Street depending on rack orientation)

Table 3. Upstream fishway design capacity (rounded to nearest thousand)

Species	Phase I Design Population
Alewife and blueback herring	202,000
American shad	10,000

Project Information

Attached (taken from Blackstone Valley Electric's Operating Procedures Plan)