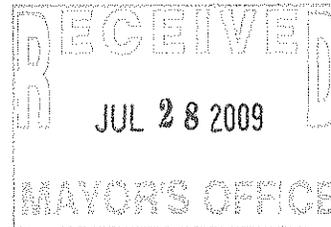




Three World Financial Center
200 Vesey Street
New York, NY 10281-8098
Telephone (212) 428-6200
(212) 858-7000

July 27, 2009

Mayor Donald Merkes
City of Menasha
City Hall
140 Main Street
Menasha, Wisconsin 54952



Dear Mayor Merkes:

Thank you for your efforts to date regarding the challenging circumstances in which the City of Menasha (the "City") finds itself with respect to the steam plant financing. The City's work to determine how the various debt holders of the City's financing can receive full repayment are very much appreciated.

On behalf of RBC Capital Markets ("RBC"), I want to extend our offer to work with you, the City staff, and your Menasha Steam Plant consultants and lawyers to help resolve, as best as possible given the facts of the Steam Plant, the likely work-out of the Steam Plant debt. As I think you know, we have already committed significant resources to examining the current financial and legal Steam Plant issues, and have put forward a Term Sheet of a suggested work-out plan. Last week members of our banking group spoke with Charlie Forrest of Stern Brothers, and all have agreed to work together on other work-out ideas that can be presented to the City and to bondholders.

As I write this letter, we have approximately five weeks to September 1st when approximately \$24 million of Bond Anticipation Notes come due. This is an extremely short amount of time to sort out the thorny legal and financial questions and put in place a permanent solution. At the first City – Bondholder meeting on June 18th there was discussion of a bondholder forbearance for a period of time. We do not represent the bondholders and can not speak to the conditions to which they would agree to such a forbearance. However, it seems prudent that the City's special counsel, Hunton & Williams, draft a form of a forbearance agreement and that we ask Hunton & Williams to prepare to an alterative solution in the event that less than 100 percent of the existing bondholders approve the forbearance agreement.

Other steps going forward include the City's upcoming meeting with the State of Wisconsin. Without knowing the form the work-out will take, it is difficult to say what role the State of Wisconsin will play. Possible roles include:

- Enabling legislation that will allow the State to provide a moral obligation to new bonds issued by the City;
- Direct lender through the State Trust Fund; and

- Public Service Commission (the “PSC”) approval of the ATC stock sale, rate case hearing and approval, and approval of a debt restructuring.

In addition, there is no doubt that Moody’s Investor Services has a keen interest in following the developing work-out plans and will need to be kept abreast of plans on a regular basis. And as you have already done, continuing to update the bondholders is critical for their on-going cooperation.

We would like to work with your finance team members to put together a credible timetable that outlines all of the necessary steps that need to be accomplished, including timelines for:

- Obtaining all requisite approvals of the State Trust Fund loan and setting a closing date;
- Notifying ATC of intent to sell member units and obtaining approval by the PSC;
- Briefing the PSC of the Menasha Steam Plant situation and providing on-going briefings, and understanding of their approval process for what may be included in the final work-out plan;
- Drafting legislation to give the State the power to provide its Moral Obligation of Menasha debt, including finding bill sponsor(s), attending committee hearings, and setting forth a coordinated plan to get approval by the legislature and the Governor;
- Preparing a Plan A form of forbearance, assuming we have 100 percent consent by the bondholders, and a Plan B, assuming we have less than 100 percent consent;
- Devising a coherent plan to keep Moody’s fully informed as the work-out plan develops; and
- Providing transparent progress reports to the bondholder group throughout the work-out process.

We are not privy to all of the information the City has or what steps it has taken to address the above issues and keep interested parties informed, and we do not pretend to understand all of the complicated issues the City faces. However, we are willing to continue committing our resources to help the City and debt holders reach a mutually agreeable resolution of this matter. This offer is not contingent on any payment of fees for investment banking services.

Sincerely,



Christopher Hamel, Head of Municipal Finance
on behalf of RBC Capital Markets Corporation