Draft
5/15/13

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding dated May 16, 2013, is entered into between the City of Waukesha, Wisconsin (the "City") and the Waukesha Water Utility (the "Water Utility").

Recitals

The Water Utility is currently undertaking the construction of improvements to the Water Utility system (the "2013 Projects"). The 2013 Projects have been financed on an interim basis through the issuance by the City of its Note Anticipation Notes, Series 2013C, dated May 7, 2013 (the "2013 NANs"). The Water Utility desires to finance the 2013 Projects on a long-term basis through the issuance by the City of general obligation promissory notes or refunding bonds.

The City has also issued its $10,085,000 General Obligation Refunding Bonds, Series 2013B, dated May 7, 2013 (the "2013 G.O. Refunding Bonds") to (a) provide long-term financing for the Water Utility projects which the City financed on an interim basis through the issuance of its Note Anticipation Notes, Series 2012B, dated July 10, 2012, and (b) refund other obligations issued by the City to finance Water Utility projects, specifically, the City's Waterworks System Revenue Refunding Bonds, Series 2001D, dated June 15, 2001, maturing in the years 2013 through 2015 and its Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006, maturing in the years 2017 through 2026.

The City is willing to finance the 2013 Projects in this manner and to issue the 2013 G.O. Refunding Bonds, provided that the Water Utility agrees to provide the City with revenues in amounts sufficient to pay the principal of and interest on the 2013 NANs and the 2013 G.O. Refunding Bonds (collectively, the "City's Securities").

The purpose of this Memorandum is to set forth the terms upon which the City's Securities have been issued and to describe the Water Utility's obligation to pay or reimburse the City for payment of debt service on the City's Securities.

Terms of Financing

A. The 2013 NANs

The 2013 NANs have been issued by the City pursuant to Section 67.12(1)(b) of the Wisconsin Statutes. The 2013 NANs are in the principal amount of $4,700,000, mature on July 1, 2014, and are subject to redemption at the option of the City on February 3, 2014, or on any date thereafter. The debt service schedule for the 2013 NANs is attached to this Memorandum as Exhibit A.

B. The 2013 G.O. Refunding Bonds

The 2013 G.O. Refunding Bonds were issued by the City pursuant to Section 67.04 of the Wisconsin Statutes. The 2013 G.O. Refunding Bonds are in the principal amount of

$10,085,000, and principal of and interest on the 2013 G.O. Refunding Bonds are payable on the dates and in the amounts shown on the debt service schedule attached to this Memorandum as Exhibit B.

C. Payment of the Debt Service on City's Securities

It is intended that the Water Utility will be responsible for paying to the City, out of the revenues of the Water Utility, amounts sufficient to pay the principal and interest on the City's Securities on each debt service payment date.

Dated this 16th day of May, 2013.

CITY OF WAUKESHA,
WISCONSIN

By_____
Title_____

WAUKESHA WATER UTILITY

By_____
Title_____

City of Waukesha (MIG1)

$4,700,000 - FINAL

Note Anticipation Notes

Dated/Closing: May 7, 2013 ; Callable: February 3, 2014 1st Cpn: Jan. 1, 2014

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Total
05/07/2013	-	-	-	-	-
01/01/2014	-	-	61,100.00	61,100.00	-
07/01/2014	4,700,000.00	2.000%	47,000.00	4,747,000.00	4,808,100.00
Total	**$4,700,000.00**	-	**$108,100.00**	**$4,808,100.00**	-

Yield Statistics

Bond Year Dollars	$5,405.00
Average Life	1.150 Years
Average Coupon	2.0000000%
Net Interest Cost (NIC)	1.1817391%
True Interest Cost (TIC)	1.1728168%
Bond Yield for Arbitrage Purposes	0.4511016%
All Inclusive Cost (AIC)	1.3491956%

IRS Form 8038

Net Interest Cost	0.9964565%
Weighted Average Maturity	1.150 Years

City of Waukesha (Aa1)

$10,085,000 - FINAL

General Obligation Refunding Bonds, Series 2013B (AR/CR)

Dated/Closing: May 7, 2013 ; Callable: 10/1/2023 or any date thereafter

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Total
05/07/2013	-	-	-	-	-
10/01/2013	415,000.00	2.000%	134,886.50	549,886.50	549,886.50
04/01/2014	-	-	164,458.13	164,458.13	-
10/01/2014	350,000.00	2.000%	164,458.13	514,458.13	678,916.26
04/01/2015	-	-	160,958.13	160,958.13	-
10/01/2015	355,000.00	2.000%	160,958.13	515,958.13	676,916.26
04/01/2016	-	-	157,408.13	157,408.13	-
10/01/2016	100,000.00	2.000%	157,408.13	257,408.13	414,816.26
04/01/2017	-	-	156,408.13	156,408.13	-
10/01/2017	-	-	156,408.13	156,408.13	312,816.26
04/01/2018	-	-	156,408.13	156,408.13	-
10/01/2018	-	-	156,408.13	156,408.13	312,816.26
04/01/2019	-	-	156,408.13	156,408.13	-
10/01/2019	505,000.00	1.500%	156,408.13	661,408.13	817,816.26
04/01/2020	-	-	152,620.63	152,620.63	-
10/01/2020	780,000.00	2.623%	152,620.63	932,620.63	1,085,241.26
04/01/2021	-	-	142,390.63	142,390.63	-
10/01/2021	800,000.00	4.000%	142,390.63	942,390.63	1,084,781.26
04/01/2022	-	-	126,390.63	126,390.63	-
10/01/2022	835,000.00	4.000%	126,390.63	961,390.63	1,087,781.26
04/01/2023	-	-	109,690.63	109,690.63	-
10/01/2023	865,000.00	4.000%	109,690.63	974,690.63	1,084,381.26
04/01/2024	-	-	92,390.63	92,390.63	-
10/01/2024	900,000.00	4.000%	92,390.63	992,390.63	1,084,781.26
04/01/2025	-	-	74,390.63	74,390.63	-
10/01/2025	935,000.00	4.000%	74,390.63	1,009,390.63	1,083,781.26
04/01/2026	-	-	55,690.63	55,690.63	-
10/01/2026	970,000.00	4.000%	55,690.63	1,025,690.63	1,081,381.26
04/01/2027	-	-	36,290.63	36,290.63	-
10/01/2027	350,000.00	3.125%	36,290.63	386,290.63	422,581.26
04/01/2028	-	-	30,821.88	30,821.88	-
10/01/2028	360,000.00	3.125%	30,821.88	390,821.88	421,643.76
04/01/2029	-	-	25,196.88	25,196.88	-
10/01/2029	375,000.00	3.125%	25,196.88	400,196.88	425,393.76
04/01/2030	-	-	19,337.50	19,337.50	-
10/01/2030	385,000.00	3.250%	19,337.50	404,337.50	423,675.00
04/01/2031	-	-	13,081.25	13,081.25	-
10/01/2031	395,000.00	3.250%	13,081.25	408,081.25	421,162.50
04/01/2032	-	-	6,662.50	6,662.50	-
10/01/2032	410,000.00	3.250%	6,662.50	416,662.50	423,325.00
Total	$10,085,000.00	-	$3,808,894.16	$13,893,894.16	-

Yield Statistics

Bond Year Dollars	$107,924.00
Average Life	10.701 Years
Average Coupon	3.5292374%
Net Interest Cost (NIC)	2.8862441%
True Interest Cost (TIC)	2.7607653%
Bond Yield for Arbitrage Purposes	2.5664988%
All Inclusive Cost (AIC)	2.7945712%

IRS Form 8038

Net Interest Cost	2.3795144%
Weighted Average Maturity	10.625 Years

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Robert W. Baird & Co.

Public Finance Professionals - jaf