

## UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

[●], 2020

City of Waukesha, Waukesha County, Wisconsin  
201 Delafield Street  
Waukesha, WI 53188

RE: WIFIA Loan Term Sheet for the Water Utility Portion of Great Lakes Water Supply Project with the City of Waukesha, Waukesha County, Wisconsin (WIFIA Project No. 18147WI)

Ladies and Gentlemen:

This WIFIA Loan Term Sheet (this “**Term Sheet**”) constitutes (a) the approval of the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (hereinafter, the “**USEPA**”), of the application for credit assistance of the Borrower (as defined below) dated November 18, 2019 (the “**Application**”) and (b) the agreement of USEPA to provide financing for the above-referenced project (as further described below, the “**Project**”) in the form of a secured loan (the “**WIFIA Loan**”), pursuant to the Water Infrastructure Finance and Innovation Act (“**WIFIA**”), § 5021 *et seq.* of Public Law 113-121 (as amended by Public Law 114-94, Public Law 114-322 and Public Law 115-270) (the “**Act**”), codified as 33 U.S.C. §§ 3901-3914, subject in all respects to (i) the terms and conditions contained herein and (ii) the execution and delivery of the WIFIA loan agreement to be entered into on or after the date hereof (the “**WIFIA Loan Agreement**”) on terms and conditions acceptable to USEPA contained therein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the WIFIA Loan Agreement.

USEPA’s agreement to provide WIFIA credit assistance to the Project is based upon the Application and the supplemental information and documents, including the base case financial model, provided to USEPA. This Term Sheet is an agreement of USEPA only to the terms specified herein, which may be modified or supplemented by USEPA in its discretion at any time and from time to time during the course of its due diligence and credit approval process.

By executing this Term Sheet, the Borrower confirms its agreement to reimburse USEPA for any and all fees and expenses that USEPA incurs for legal counsel, financial advice, and other consultants in connection with the evaluation of the Project and the negotiation and preparation of the WIFIA Loan Agreement and related documents, whether or not such agreement is ultimately executed.

This Term Sheet shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable, and the internal laws of the State of Wisconsin, if and to the extent such federal laws are not applicable.

INDICATIVE TERMS OF THE WIFIA LOAN

WIFIA LENDER	United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “ <b>WIFIA Lender</b> ”).
BORROWER	City of Waukesha, Waukesha County, Wisconsin, a municipality organized under the laws of the State of Wisconsin (the “ <b>Borrower</b> ”).
PROJECT	The “ <b>Project</b> ” means the Great Lakes Water Supply Project, consisting of water supply and return flow activities connected with the provision of a new Lake Michigan water supply and return flow via the Root River, located in Waukesha and Milwaukee Counties, as described in more detail in Schedule VI ( <i>Project Description</i> ) to the WIFIA Loan Agreement.
WIFIA LOAN AMOUNT	A maximum principal amount (sum of disbursements) not to exceed \$137,100,000; <u>provided</u> that (a) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act, shall not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (b) the total federal assistance for the Project, including but not limited to the maximum principal amount of the WIFIA Loan and all federal grants, shall not exceed eighty percent (80%) of Total Project Costs.
INTEREST RATE	<p>The WIFIA Loan shall bear interest at a fixed rate, calculated by adding one basis point (0.01%) to the rate of securities of a similar maturity (based on the weighted-average life of the WIFIA Loan) as published, on the execution date of the WIFIA Loan Agreement, in the United States Treasury Bureau of Public Debt’s daily rate table for State and Local Government Series (SLGS) securities, currently located on the Internet at <a href="https://www.treasurydirect.gov/GA-SL/SLGS/selectSLGSDate.htm">https://www.treasurydirect.gov/GA-SL/SLGS/selectSLGSDate.htm</a>.</p> <p>Interest shall accrue and be computed on the Outstanding WIFIA Loan Balance on the basis of a 360-day year of twelve (12) thirty (30) day months.</p> <p>The WIFIA Loan shall also bear default interest at a rate of two hundred (200) basis points above the otherwise applicable interest rate, at such times and upon such terms as provided in the WIFIA Loan Agreement.</p>
PAYMENT DATES	<p>Principal of the WIFIA Loan shall be repaid in annual installments on May 1 of each year, beginning on May 1, 2025.</p> <p>Interest on the WIFIA Loan shall be paid in arrears on May 1 and November 1 of each year, beginning on the May 1 or November</p>

	<p>1 immediately succeeding the date of the first disbursement of the WIFIA Loan.</p> <p>The debt service payment commencement date shall in no event be later than five (5) years after the Substantial Completion Date of the Project.</p> <p>During the Interest Only Period, the WIFIA Debt Service payable by the Borrower shall consist of one hundred percent (100%) of the amount of interest then due and payable on the Outstanding WIFIA Loan Balance, and no payment of principal will be due and payable.</p>
FINAL MATURITY DATE	The earlier of (a) May 1, 2058 and (b) the Principal Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.
PROJECTED SUBSTANTIAL COMPLETION DATE	July 1, 2023.
DEDICATED SOURCE OF REPAYMENT	<p>The dedicated source of repayment for the WIFIA Loan shall be Net Revenues (as defined below) derived from the System in accordance with the WIFIA Loan Agreement.</p> <p>“<b>Net Revenues</b>” means Gross Earnings of the System after deduction of Current Expenses.</p> <p>“<b>Gross Earnings</b>” means the gross earnings of the System, including earnings of the System derived from waterworks charges imposed by the Borrower, all payments to the Borrower under any service agreements between the Borrower and any contract users of the System, and any other monies received from any source including all rentals and fees and any special assessments levied and collected in connection with the System.</p> <p>“<b>Current Expenses</b>” means the reasonable and necessary costs of operating, maintaining, administering and repairing the System, including salaries, wages, costs of materials and supplies, insurance and audits and maintenance of a replacement fund, but excluding depreciation, debt service, tax equivalents and capital expenditures.</p>
SECURITY AND LIEN PRIORITY; FLOW OF FUNDS	<p>The WIFIA Loan shall be secured by a pledge on the Net Revenues. The debt obligation of the Borrower under the WIFIA Loan shall be evidenced through the issuance by the Borrower of the WIFIA Bond.</p> <p>The Liens securing the obligations under the WIFIA Loan Documents shall be (a) <i>pari passu</i> in right of payment and right of security with the Liens securing all other Parity Obligations and</p>

(b) senior in right of payment and right of security to the Liens securing all Subordinate Obligations.

The Gross Earnings of the System shall be deposited as collected in the Revenue Fund and transferred monthly to the funds listed below in the following order of priority and in the manner set forth below (the “**Flow of Funds**”):

- (i) to the Operation and Maintenance Fund, in an amount equal to the estimated Current Expenses for such month and for the following month (after giving effect to available amounts in such fund from prior deposits);
- (ii) to the Debt Service Fund, for deposit into the Parity Principal and Interest Account (after giving effect to available amounts in such account from accrued interest, any premium or any other source), an amount equal to one-sixth (1/6) of the next installment of interest coming due on the WIFIA Bond and the other Parity Obligations then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the WIFIA Bond and the other Parity Obligations coming due during such Bond Year;
- (iii) to the Debt Service Fund, for deposit into the Reserve Account, any amount required by a future resolution for Parity Obligations secured thereby;
- (iv) to the Debt Service Fund, for deposit into the Subordinate Principal and Interest Account (after giving effect to available amounts in such account from accrued interest, any premium or any other source), an amount equal to one-sixth (1/6) of the next installment of interest coming due on the Subordinate Obligations then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Subordinate Obligations coming due during such Bond Year;
- (v) to the Depreciation Fund, an amount determined by the Governing Body to be sufficient to provide a proper and adequate depreciation account for the System; and
- (vi) to the Surplus Fund, any amount remaining in the Revenue Fund after the monthly transfers required above have been completed.

PREPAYMENT	The Borrower may prepay the WIFIA Loan in whole or in part, without penalty or premium; <u>provided</u> that any such prepayment shall be in a minimum principal amount of \$1,000,000 or any integral multiple of \$1.00 in excess thereof, and otherwise in accordance with the WIFIA Loan Agreement.
RATE COVENANT	The Net Revenues shall be equal to not less than the annual principal and interest requirements on the outstanding Obligations (exclusive, for the 2018 BAN, of principal to be paid with proceeds of bonds) multiplied by the greater of (A) one hundred ten percent (110%) and (B) the highest debt service coverage ratio required with respect to any Obligations then outstanding.
ADDITIONAL INDEBTEDNESS	<p>The Borrower shall not create, incur or suffer to exist (a) any Obligations or other obligations the payments of which are senior or prior in right to (i) the payment by the Borrower of the WIFIA Loan and the other Parity Obligations or (ii) the Lien on the Net Revenues in favor of the WIFIA Lender, (b) any obligations with respect to the Project (other than general obligations of the Borrower) that are secured by a Lien on any assets or property of the Borrower other than the Net Revenues, or (c) any Variable Interest Rate Parity Obligations.</p> <p>Additional Parity Obligations may be issued only if all of the following conditions are met:</p> <p>(A) the Net Revenues for the Borrower Fiscal Year immediately preceding the issuance of such Additional Parity Obligations shall have been in an amount at least equal to the maximum annual interest and principal requirements on all outstanding Obligations, and on the Additional Parity Obligations then to be issued, multiplied by the greater of (1) 1.10 and (2) the highest debt service coverage ratio to be required with respect to the Additional Parity Obligations to be issued or any outstanding Obligations. Should an increase in permanent rates and charges, including those made to the Borrower, be properly ordered and made effective during the Borrower Fiscal Year immediately prior to the issuance of such Additional Parity Obligations or during that part of the Borrower Fiscal Year of issuance prior to such issuance, then Net Revenues for purposes of such computation shall include such additional revenues as an independent certified public accountant, consulting professional engineer or the Wisconsin Public Service Commission may certify would have accrued during the prior Borrower Fiscal Year had the new rates been in effect during that entire immediately prior Borrower Fiscal Year;</p>

	<p>(B) the payments required to be made into the Flow of Funds shall have been made in full;</p> <p>(C) the Additional Parity Obligations shall have principal maturing on May 1 of each year and interest falling due on May 1 and November 1 of each year; and</p> <p>(D) the proceeds of the Additional Parity Obligations shall be used only for the purpose of providing extensions or improvements to the System, or to refund obligations issued for such purpose.</p>
RESTRICTED PAYMENTS AND TRANSFERS	The Borrower shall not permit Gross Earnings, or any funds in any of the Funds and Accounts or in any other fund or account with respect to any Obligation Document, to be paid or transferred or otherwise applied for purposes other than ownership, operation or maintenance of, or capital improvements to, the System, except with the prior consent of the WIFIA Lender, which consent shall be in the WIFIA Lender's sole discretion.
WIFIA LOAN DOCUMENTATION	The WIFIA Loan shall be subject to the preparation, execution and delivery of the WIFIA Loan Agreement, the WIFIA Bond and any other loan documentation required by the WIFIA Lender in connection therewith, in each case acceptable to the WIFIA Lender and the Borrower, which will contain certain conditions precedent, representations and warranties, affirmative and negative covenants, events of default, and other provisions as agreed between the WIFIA Lender and the Borrower.
GOVERNING LAW	Federal laws of the United States of America, if and to the extent such federal laws are applicable, and the internal laws of the State of Wisconsin, if and to the extent such federal laws are not applicable.
COUNTERPARTS	This Term Sheet, and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Electronic delivery of an executed counterpart of a signature page shall be effective as delivery of an original executed counterpart.

*[Signature pages follow]*

If the foregoing terms are acceptable, please countersign this letter in the space indicated below.

Sincerely,

**UNITED STATES ENVIRONMENTAL  
PROTECTION AGENCY**, acting by and  
through the Administrator of the United States  
Environmental Protection Agency

By: \_\_\_\_\_

Name: Andrew R. Wheeler

Title: Administrator

ACKNOWLEDGED AND AGREED:

**CITY OF WAUKESHA, WAUKESHA  
COUNTY, WISCONSIN,**  
by its authorized representative

By: \_\_\_\_\_  
Name:  
Title: