

RESOLUTION NO. ____

RESOLUTION AUTHORIZING THE ISSUANCE
AND SALE OF NOT TO EXCEED \$32,800,000
WATERWORKS SYSTEM REVENUE BOND ANTICIPATION NOTE, SERIES 2018

WHEREAS, the City of Waukesha, Waukesha County, Wisconsin (the "Municipality") owns and operates a waterworks system (the "System") which is operated for a public purpose as a public utility by the Municipality;

WHEREAS, under the provisions of Section 66.0621, Wisconsin Statutes (the "Act"), any municipality in the State of Wisconsin may, by action of its governing body, provide for purchasing, acquiring, constructing, extending, adding to, improving, controlling, conducting, operating or managing a public utility or refunding obligations issued for such purposes from the proceeds of bonds, which bonds are to be payable only from all monies received from any source by such utility (the "Revenues");

WHEREAS, pursuant to Resolution No. 19-08 adopted on April 3, 2008 (the "2008 Resolution"), the Municipality has heretofore issued its Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008 (the "2008 Bonds"), which 2008 Bonds are payable from the income and revenues of the System;

WHEREAS, the Municipality has also heretofore issued its Waterworks System Revenue Bonds, Series 2013, dated May 22, 2013 (the "Safe Drinking Water Bonds"), pursuant to Resolution No. 42-13 adopted by the Common Council on May 7, 2013 (the "2013 Resolution"), which bonds are payable from the Revenues of the System, junior and subordinate to the pledge of Revenues granted to the owners of the 2008 Bonds;

WHEREAS, to adequately meet the needs of the Municipality and the residents thereof, certain improvements, additions and extensions to and acquisitions for the System are necessary (the "Project");

WHEREAS, the Municipality has also determined that it is necessary and desirable to refund the 2008 Bonds (the "Refunded Obligations") (the "Refunding");

WHEREAS, for the purpose of permanently financing the Project and refunding the Refunded Obligations, including paying interest and legal, financing and other professional fees, the Municipality intends by subsequent resolution (the "Bond Resolution") of the governing body of the Municipality (the "Common Council") to authorize the issuance and sale of waterworks system revenue bonds pursuant to the provisions of the Act (the "Bonds"), payable solely from Revenues of the System deposited in the debt service fund referred to herein;

WHEREAS, the Bonds have not yet been issued or sold;

WHEREAS, municipalities are authorized by the provisions of Section 66.0621(4)(L), Wisconsin Statutes, to issue bond anticipation notes in anticipation of receiving the proceeds from the issuance and sale of revenue bonds;

WHEREAS, it is the finding of the Common Council that it is necessary, desirable and in the best interest of the Municipality to authorize the issuance and sale of a waterworks system revenue bond anticipation note pursuant to Section 66.0621(4)(L), Wisconsin Statutes (the "Note") in anticipation of the issuance and sale of the Bonds, to pay the cost of the Project and the Refunding;

WHEREAS, other than the 2008 Bonds and the Safe Drinking Water Bonds, no other bonds or obligations payable from the Revenues of the System are now outstanding;

WHEREAS, the Note is to be issued on a basis junior and subordinate to the 2008 Bonds and the Safe Drinking Water Bonds with respect to the Revenues of the System; and

WHEREAS, it is the finding of the Common Council that it is necessary, desirable and in the best interest of the Municipality to issue and sell the Note to BMO Harris Bank N.A. (the "Bank"), pursuant to the terms and conditions set forth in this Resolution and in the Continuing Covenant Agreement described below.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the Municipality that:

Section 1. Waterworks System Revenue Bonds. The Municipality hereby declares its intention and covenants to authorize the issuance of the Bonds pursuant to the provisions of the Act in an amount sufficient to retire any outstanding bond anticipation notes issued to pay the cost of the Project and the Refunding and the cost of interest and legal, financing and other professional fees in connection therewith. The Bonds will be authorized by the Bond Resolution.

Section 2. Authorization and Sale of the Note; Approval of Continuing Covenant Agreement. In anticipation of the sale of the Bonds, for the purpose of paying the cost of the Project and the Refunding including paying legal, financing and other professional fees in connection therewith, there shall be borrowed pursuant to Section 66.0621(4)(L), Wisconsin Statutes, the principal sum of up to THIRTY-TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$32,800,000) from the Bank in accordance with the terms and conditions set forth in this Resolution. To evidence the obligation of the Municipality, the Mayor and City Clerk are hereby authorized, empowered and directed to make, execute, issue and sell to the Bank for, on behalf of and in the name of the Municipality, the Note in the maximum principal amount of THIRTY-TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$32,800,000).

The Continuing Covenant Agreement between the Municipality and the Bank, in substantially the form attached hereto as Exhibit A (the "CCA") is hereby approved and the Mayor and City Clerk are authorized and directed to execute and deliver the CCA. Capitalized terms used in this Resolution which are not defined herein shall have the meanings given to those terms in the CCA, the 2008 Resolution or the 2013 Resolution as the case may be.

Section 3. Terms of the Note. The Note shall be designated "Waterworks System Revenue Bond Anticipation Note, Series 2018"; shall be issued in the maximum principal amount of \$32,800,000; shall be dated April 2, 2018; and shall be numbered R-1. Principal of the Note may be drawn by the Municipality as needed, upon notice to the Bank in accordance

with the terms of the CCA, to the full amount of the Note or so much thereof as the Municipality may require, and shall be payable on April 1, 2023 (the “Maturity Date”).

The Note shall bear interest at a rate per annum equal to the Applicable Interest Rate (defined below) (but only on such amounts as shall have been drawn under the Note from the dates such amounts are drawn). The "Applicable Interest Rate" shall be equal to the lesser of (a) (81% of the LIBOR Rate (as defined below)) plus the Applicable Spread (as defined below) or (b) eighteen percent (18%) (the “Maximum Rate”). Interest is computed on the basis of actual days elapsed and a 360-day year. The Applicable Interest Rate shall be determined by the Bank on the first Business Day (as defined in the CCA) of each month and shall remain in effect, subject to adjustment as set forth herein, until the day prior to the first Business Day of the following month.

“LIBOR Rate” means the one-month London Interbank Offered Rate (or a comparable successor rate as described below) as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Bank from time to time) as reported on the first Business Day of each month, unless such rate is no longer available or published, in which case such rate shall be at a comparable alternate index rate reasonably selected by the Bank with written notice to Municipality. In no event shall the LIBOR Rate be less than 0.00%.

“Applicable Spread” means the following:

(a) Initially seventy-four basis points (.74%) or such lesser number of basis points as may be approved by the Bank and accepted by the Waukesha Water Utility Administrative Services Manager prior to the issuance of the Note (the "Initial Applicable Spread"), *provided, however,* that in the event of any change in any credit rating assigned to the long-term unenhanced debt secured by Revenues of the System by Moody’s Investors Service, Inc. (the “Rating Agency”), the Applicable Spread shall be the number of basis points associated with such new rating as set forth in the following schedule:

TIER	CREDIT RATING	APPLICABLE SPREAD
I	Aa2	Initial Applicable Spread
II	Aa3	Initial Applicable Spread plus 0.10%
III	A1	Initial Applicable Spread plus 0.20%
IV	A2	Initial Applicable Spread plus 0.30%
V	A3	Initial Applicable Spread plus 0.40%
VI	Baa1	Initial Applicable Spread plus 0.50%

References in this definition of Applicable Spread are to rating categories as presently determined by the Rating Agency, and in the event of the adoption of any new or changed rating system or a “global” rating scale by the Rating Agency, the rating categories shall be adjusted accordingly to a new rating which most closely approximates the requirements as set forth herein. Any change in the Applicable Spread shall apply when the Applicable Interest Rate is

reset on the first Business Day of the month next succeeding the date on which the change occurs.

Notwithstanding the foregoing provisions, the Applicable Interest Rate shall be adjusted as follows:

(1) From and after any Taxable Date (as defined in the CCA), the Applicable Interest Rate on the Note shall be established at a rate at all times equal to the Taxable Rate (as defined in the CCA).

(2) Upon the occurrence and during the continuation of an Event of Default (as defined in the CCA), the Applicable Interest Rate for the Note shall be established at a rate at all times equal to the Default Rate (as defined in the CCA), payable on demand to the Bank.

(3) If the interest rate on the Note exceeds the Maximum Rate, then the Note shall bear interest at the Maximum Rate and interest on the Note calculated at the rate equal to the difference between (a) the rate of interest on the Note as calculated pursuant hereto and (b) the Maximum Rate (the "Excess Interest") shall be deferred until such date as the rate of interest borne by the Note is below the Maximum Rate, at which time Excess Interest shall be payable with respect to the Note in amounts that, when combined with the then-current interest due on the Note, does not exceed payment at the Maximum Rate.

Interest shall be payable on the first Business Day of April and October of each year, commencing on October 1, 2018, and on the Maturity Date.

Section 4. Redemption Provisions. (a) The Note shall be subject to redemption prior to maturity, at the option of the Municipality, on April 1, 2019 or on any date thereafter, in whole or from time to time in part, at the principal amount thereof, plus accrued interest to the date of redemption.

(b) In addition, prior to April 1, 2019, the Note may be redeemed at the option of the Municipality upon payment of the optional redemption fee provided for in Section 4.08 of the CCA.

Section 5. Form of the Note. The Note shall be issued in registered form and shall be executed and delivered in substantially the form attached hereto as Exhibit B and incorporated herein by this reference.

Section 6. Security. The Note shall in no event be a general obligation of the Municipality nor a charge against its general credit or taxing power. No lien is created upon the System or any other property of the Municipality as a result of the issuance of the Note. The Note shall be payable only from (a) any proceeds of the Note set aside for payment of interest on the Note as it becomes due; (b) proceeds to be derived from the issuance and sale of the Bonds, which proceeds are hereby declared to constitute a special trust fund, hereby created and established, to be held by the City Clerk and expended solely for the payment of the principal of and interest on the Note, until paid, and; (c) a pledge of the Revenues which have been deposited in the Debt Service Fund described in the 2008 Resolution, such pledge being junior and

subordinate to the pledge granted to the owners of the 2008 Bonds and the Safe Drinking Water Bonds.

As authorized and permitted by Section 66.0621(4)(L)6, Wisconsin Statutes, in the event such monies are not sufficient to pay the principal of and interest on the Note when due, if necessary, the Municipality will pay such deficiency out of its annual general tax levy or other available funds of the Municipality; provided, however, that any such payment shall be subject to annual budgetary appropriations therefor and any applicable levy limits; and provided further, that neither this Resolution nor any such payment shall be construed as constituting an obligation of the Municipality to make any such appropriation or any further payments.

Section 7. Funds and Accounts: Application of Revenues. In accordance with the Act, for the purpose of the application and proper allocation of the Revenues of the System, and to secure the payment of the principal of and interest on first, the 2008 Bonds, second, the Safe Drinking Water Bonds, and, third, the Note, certain funds of the System have been heretofore created and established by an ordinance adopted September 22, 1953 (the "Ordinance"), which funds were continued by the 2008 Resolution and the 2013 Resolution and shall be continued and shall be used solely for the purposes set forth in the Ordinance. The Municipality shall apply the Revenues to the respective funds and accounts described in the Ordinance, as continued by the 2008 Resolution and the 2013 Resolution, including the Operation and Maintenance Fund, the Debt Service Fund, the Depreciation Fund and the Surplus Fund, as provided in the Ordinance, the 2008 Resolution and the 2013 Resolution and as set forth below:

(a) Funds and Accounts. Net Revenues of the System shall be deposited in the Revenue Fund of the System, which money shall then be divided in the amounts and in the manner set forth in Section 7(b) among the following funds of the System which were created and established by the Ordinance and are hereby continued and shall be used solely for the following respective purposes:

- (i) Operation and Maintenance Fund, which shall be used for the payment of Current Expenses as defined in the 2008 Resolution and the 2013 Resolution.
- (ii) Debt Service Fund, which shall be used for the payment of the principal of, premium, if any, and interest on, first, the 2008 Bonds and, second, the Safe Drinking Water Bonds and additional bonds issued on a parity with the Safe Drinking Water Bonds ("Parity Bonds") and third, the Note, as the same becomes due. Within the Debt Service Fund, the following accounts have been established: (a) the Interest and Principal Account which shall be used solely for the payment of the principal of, premium, if any, and interest on the 2008 Bonds, the Bonds and Parity Bonds and the Note as the same becomes due, and (b) a Reserve Account which shall secure the payment of principal of and interest on the 2008 Bonds, and is not pledged to the payment of principal of or interest on the Safe Drinking Water Bonds or the Note, and moneys in the Reserve Account shall under no circumstances be used to pay principal of or interest on the Safe Drinking Water Bonds or the Note.

- (iii) Depreciation Fund, which shall be used to provide a proper and adequate depreciation account for the System.
- (iv) Surplus Fund, which shall first be used whenever necessary to pay principal of, premium, if any, or interest on the 2008 Bonds, the Safe Drinking Water Bonds and Parity Bonds and the Note when the Debt Service Fund shall be insufficient for such purpose, and thereafter shall be disbursed as follows: (i) at any time, to remedy any deficiency in any of the Funds provided in this Section 7; and (ii) money thereafter remaining in the Surplus Fund at the end of any Fiscal Year may be transferred to any of the funds or accounts created herein or to reimburse the general fund of the Municipality for advances made by the Municipality to the System and to pay amounts owed by the Municipality to the Bank under the CCA.

(b) Application of Revenues. The Gross Earnings of the System shall be deposited as collected in the Revenue Fund and shall be transferred monthly to the funds listed below in the following order of priority and in the manner set forth below:

- (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 said Fund from prior deposits);
- (ii) to the Debt Service Fund, for deposit into the Principal and Interest Account, an amount equal to one sixth (1/6) of the next installment of interest coming due on the 2008 Bonds, the Safe Drinking Water Bonds and any Parity Bonds and the Note and an amount equal to one twelfth (1/12) of the installment of principal of the 2008 Bonds, the Safe Drinking Water Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said Account from accrued interest, any premium or any other source), and for deposit into the Reserve Account, any amount required by the 2008 Resolution; and
- (iii) to the Depreciation Fund, an amount determined by the Common Council to be sufficient to provide a proper and adequate depreciation account for the System; and
- (iv) to the Surplus Fund, any amount remaining in the Revenue Fund after the monthly transfers required above have been completed.

Transfers from the Revenue Fund to the Operation and Maintenance Fund, the Debt Service Fund, the Depreciation Fund and the Surplus Fund shall be made monthly not later than the twentieth day of each month, and such transfer shall be applicable to monies on deposit in the Revenue Fund as of the last day of the month preceding. Any other transfers and deposits to any fund required or permitted by subsection (b)(i) through (b)(iv) of this Section, except transfers or deposits which are required to be made immediately or annually, shall be made on or before the tenth day of the month. Any transfer or deposit required to be made at the end of any Fiscal Year shall be made within sixty (60) days after the close of such Fiscal Year. If the tenth day of any month shall fall on a day other than a business day, such transfer or deposit shall be made on the next succeeding Business Day.

It is the express intent and determination of the Governing Body that the amounts transferred from the Revenue Fund and deposited in the Debt Service Fund shall be sufficient in any event to pay the interest on the 2008 Bonds, the Safe Drinking Water Bonds and any Parity Bonds and the Note as the same accrues and the principal thereof as the same matures.

Section 8. Service to the Municipality. The reasonable cost and value of services rendered to the Municipality by the System by furnishing services for public purposes, shall be charged against the Municipality and shall be paid by it in installments as the service accrues, out of the current revenues of the Municipality collected or in the process of collection, exclusive of the Revenues derived from the System, and out of the tax levy of the Municipality made by it to raise money to meet its necessary current expenses. However, such payment out of the tax levy shall be subject to (a) any necessary approval of the Public Service Commission, or successors to its function, (b) annual appropriations therefor and (c) any applicable levy limitations; but neither this Resolution nor such payment shall be construed as constituting an obligation of the Municipality to make any such appropriation over and above the reasonable cost and value of services rendered to the Municipality and its inhabitants or make any subsequent payment over and above such reasonable cost and value. Such compensation for such service rendered to the Municipality shall, in the manner hereinabove provided, be paid into the funds provided for in Section 7.

Section 9. Covenants of the Municipality. The Municipality hereby covenants with the owners of the Note that:

(a) It shall issue the Bonds as soon as practicable in an amount sufficient to retire the Note on or prior to the Maturity Date;

(b) It shall segregate the proceeds derived from the sale of the Bonds into a special trust fund herein created and established and shall permit such special trust fund to be used for no purpose other than the payment of the principal of and interest on the Note until paid in full. After the payment of principal of and interest on the Note in full, said special trust fund may be used for such other purposes as the Common Council may direct in accordance with law;

(c) It shall faithfully and punctually perform all duties with reference to the System required by the Constitution and Statutes of the State of Wisconsin, including lawfully establishing reasonable and sufficient rates for services rendered by the System and collecting, depositing, applying and segregating the Revenues of the System to the respective funds and accounts described in Section 7;

(d) It will cause the Project to be constructed as expeditiously as reasonably possible;

(e) It will not sell, lease, or in any manner dispose of the System, including any part thereof or any additions or extensions that may be made part thereto, except that the Municipality shall have the right to sell, lease or otherwise dispose of any property of the System found by the Common Council to be neither necessary nor useful in the operation of the System, provided the proceeds received from such sale, lease or disposal shall be paid into the Debt Service Fund or applied to the acquisition or construction of capital facilities for use in the normal operation of

the System, and such payment shall not reduce the amounts otherwise required to be paid into the Debt Service Fund;

(f) It will pay or cause to be paid all lawful taxes, assessments, governmental charges, and claims for labor, materials or supplies which if unpaid could become a lien upon the System or the Revenues or could impair the security of the Note or the Bonds;

(g) It will maintain the System in reasonably good condition and working order, will operate the System, and will establish, charge and collect such lawfully established rates and charges for the service rendered by the System, so that the amount of the Revenues of the System herein agreed to be set aside to provide for payment of the 2008 Bonds, the Bonds, any Parity Bonds, the Safe Drinking Water Bonds and the Note (exclusive of principal of the Note to be paid from proceeds of the Bonds) and the interest thereon as the same becomes due and payable will be sufficient for that purpose. It will make all good faith efforts so that the Revenues less Current Expenses (the "Net Revenues") from the System in each year will be equivalent to not less than the amount required for payment of principal (exclusive of principal of the Note to be paid from proceeds of the Bonds) and interest on the 2008 Bonds, the Bonds, any Parity Bonds, the Safe Drinking Water Bonds, the Note and any additional obligations payable from revenues of the System for each corresponding year times the greater of (i) 110% or (ii) the highest debt service coverage ratio required with respect to any obligations payable from revenues of the System then outstanding;

(h) The Municipality will not issue and/or incur any additional Debt secured by Net Revenues, unless the Municipality provides the Bank with certificates evidencing that after the incurrence of such Debt, the forecasted Net Revenues for each of the fiscal years of the Municipality through the Maturity Date of the Note are projected to be at least equal to 110% of Maximum Annual Debt Service (as defined in the CCA) of the Municipality, taking into account the proposed Debt to be issued. Forecasted Net Revenues will be calculated by the Municipality and shall take into account any approved increases in rates and charges for the System, including those made to the Municipality.

(i) It will prepare a budget not less than sixty (60) days prior to the end of each fiscal year and, in the event such budget (taking into account income, unencumbered surplus and expense) indicates that earnings for each year will not exceed debt service for each corresponding year by the proportion stated above, will take any and all steps permitted by law to increase rates so that the aforementioned proportion of earnings to debt service shall be accomplished as promptly as possible;

(j) The Note is issued for the purposes for which the Municipality is authorized to issue revenue bonds and for which the Bonds shall be issued;

(k) It will keep proper books and accounts relative to the System, separate from all other records of the Municipality and will cause such books and accounts to be audited annually not later than six months after the close of the fiscal year by a recognized independent firm of certified public accountants. Each such audit, in addition to whatever matters may be thought proper by the accountants, shall include the following in accordance with generally accepted accounting practices: (1) a statement in detail of the income and expenditures of the System for

the fiscal year; (2) a balance sheet as of the end of such fiscal year; (3) the accountants' comment regarding the manner in which the Municipality has carried out the requirements of this Resolution and the accountants' recommendations for any changes or improvements in the operation of the System; (4) the number and types of connections to the System at the end of the year; and (5) a list of the insurance policies in force at the end of the fiscal year setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy. The owners of the Note or the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Municipality relating thereto; and

(1) It will carry for the benefit of the owners of the Note and the Bonds insurance of the kinds and in the amounts normally carried by private companies engaged in the operation of similar systems. All money received for losses under any of such insurance policies, except public liability, shall be used in repairing the damage or in replacing the property destroyed, but in the event that the Municipality shall find it inadvisable to repair such damage or replace such property, and that the operation of the System shall not have been impaired thereby, such money may be deposited in the funds described in Section 7, but shall not reduce the amount otherwise required to be paid into said funds.

Section 10. Application of Proceeds. Proceeds of the Note to be used for the purpose of paying the cost of the Project and legal, financing and other professional fees shall be deposited in a special fund hereby designated as "Waterworks System Improvement Fund", which Fund shall be adequately secured. An amount of proceeds of the Note sufficient to provide for payment of the Refunded Obligations shall be drawn by the Municipality no sooner than 90 days before the redemption date for the Refunded Obligations and shall be deposited in a special account designated the "Refunding Fund" for that purpose. Any balance remaining in said Improvement Fund after paying the costs of the Project and the Refunding shall be transferred to the Debt Service Fund for use in payment of principal of and interest on the Note.

Section 11. No Arbitrage. All investments made pursuant to this Resolution shall be Permitted Investments, but no such investment shall be made in such a manner as would cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") or the Regulations and an officer of the Municipality, charged with the responsibility for issuing the Note, shall certify as to facts, estimates, circumstances and reasonable expectations in existence on the date of delivery of the Note to the Bank which will permit the conclusion that the Note is not an "arbitrage bond," within the meaning of the Code or Regulations.

Section 12. Compliance with Federal Tax Laws. (a) The Municipality represents and covenants that the projects financed by the Note and the Refunded Obligations and the ownership, management and use of the projects will not cause the Note or the Refunded Obligations to be "private activity bonds" within the meaning of Section 141 of the Code. The Municipality further covenants that it shall comply with the provisions of the Code to the extent necessary to maintain the tax-exempt status of the interest on the Note including, if applicable, the rebate requirements of Section 148(f) of the Code. The Municipality further covenants that it will not take any action, omit to take any action or permit the taking or omission of any action within its control (including, without limitation, making or permitting any use of the proceeds of

the Note) if taking, permitting or omitting to take such action would cause the Note to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause interest on the Note to be included in the gross income of the recipients thereof for federal income tax purposes. The City Clerk or other officer of the Municipality charged with the responsibility of issuing the Note shall provide an appropriate certificate of the Municipality certifying that the Municipality can and covenanting that it will comply with the provisions of the Code and Regulations.

(b) The Municipality also covenants to use its best efforts to meet the requirements and restrictions of any different or additional federal legislation which may be made applicable to the Note provided that in meeting such requirements the Municipality will do so only to the extent consistent with the proceedings authorizing the Note and the laws of the State of Wisconsin and to the extent that there is a reasonable period of time in which to comply.

Section 13. Execution of the Note; Closing; Professional Services. The Note shall be issued in printed form, executed on behalf of the Municipality by the manual or facsimile signatures of the Mayor and City Clerk, authenticated, if required, by the Fiscal Agent (defined below), sealed with its official or corporate seal, if any, or a facsimile thereof and delivered to the Bank upon payment to the Municipality of the purchase price thereof, plus accrued interest to the date of delivery (the "Closing"). The facsimile signature of either of the officers executing the Note may be imprinted on the Note in lieu of the manual signature of the officer but, unless the Municipality has contracted with a fiscal agent to authenticate the Note, at least one of the signatures appearing on each Note shall be a manual signature. In the event that either of the officers whose signatures appear on the Note shall cease to be such officers before the Closing, such signatures shall, nevertheless, be valid and sufficient for all purposes to the same extent as if they had remained in office until the Closing. The aforesaid officers are hereby authorized and directed to do all acts and execute and deliver the Note and all such documents, certificates and acknowledgements as may be necessary and convenient to effectuate the Closing. The Municipality hereby authorizes the officers and agents of the Municipality to enter into, on its behalf, agreements and contracts in conjunction with the Note, including but not limited to agreements and contracts for legal, trust, fiscal agency, disclosure and continuing disclosure, and rebate calculation services. Any such contract heretofore entered into in conjunction with the issuance of the Note is hereby ratified and approved in all respects.

Section 14. Payment of the Note; Fiscal Agent. The principal of and interest on the Note shall be paid by the City Clerk or City Treasurer (the "Fiscal Agent").

Section 15. Persons Treated as Owners; Transfer of Note. The Municipality shall cause books for the registration and for the transfer of the Note to be kept by the Fiscal Agent. The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of either principal or interest on any Note shall be made only to the registered owner thereof. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

Any Note may be transferred by the registered owner thereof by surrender of the Note at the office of the Fiscal Agent, duly endorsed for the transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing. Upon such

transfer, the Mayor and City Clerk shall execute and deliver in the name of the transferee or transferees a new Note or Notes of a like aggregate principal amount, series and maturity and the Fiscal Agent shall record the name of each transferee in the registration book. No registration shall be made to bearer. The Fiscal Agent shall cancel any Note surrendered for transfer.

The Municipality shall cooperate in any such transfer, and the Mayor and City Clerk are authorized to execute any new Note or Notes necessary to effect any such transfer.

Section 16. Redemption of Refunded Obligations. The Refunded Obligations are hereby called for prior payment on October 1, 2018 at the price of par plus accrued interest to the date of redemption. Proceeds of the Note which are to be used to pay the Refunded Obligations shall be drawn no more than ninety (90) days before the Refunded Obligations are to be redeemed.

The Municipality hereby directs the City Clerk to work with Springsted Incorporated to cause timely notice of redemption, in substantially the form attached hereto as Exhibit C and incorporated herein by this reference (the "Notice"), to be provided at the times, to the parties and in the manner set forth on the Notice. All actions heretofore taken by the officers and agents of the Municipality to effectuate the redemption of the Refunded Obligations are hereby ratified and approved.

Section 17. Record Book. The City Clerk shall provide and keep the transcript of proceedings as a separate record book (the "Record Book") and shall record a full and correct statement of every step or proceeding had or taken in the course of authorizing and issuing the Note in the Record Book.

Section 18. Conflicting Resolutions, Severability; Effective Date. All prior resolutions, rules or other actions of the Common Council (other than the 2008 Resolution and the 2013 Resolution) or any parts thereof in conflict with the provisions hereof shall be, and the same are, hereby rescinded insofar as the same may so conflict. In case of any conflict between this Resolution and the 2008 Resolution or 2013 Resolution, the 2008 Resolution or 2013 Resolution (as the case may be) shall control as long as any of the 2008 Bonds or Safe Drinking Water Bonds are outstanding. In the event that any one or more provisions hereof shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions hereof. The foregoing shall take effect immediately upon adoption and approval in the manner provided by law.

Adopted, approved and recorded March 6, 2018.

Shawn N. Reilly
Mayor

Attest:

Gina Kozlik
City Clerk

(SEAL)

EXHIBIT A

Continuing Covenant Agreement

(See Attached)

EXHIBIT B

(Form of Note)

REGISTERED	UNITED STATES OF AMERICA	DOLLARS
	STATE OF WISCONSIN	
	WAUKESHA COUNTY	
NO. R-1	CITY OF WAUKESHA	\$32,800,000
	WATERWORKS SYSTEM REVENUE	
	BOND ANTICIPATION NOTE, SERIES 2018	

MATURITY DATE:

April 1, 2023

ORIGINAL DATE OF ISSUE:

April 2, 2018

REGISTERED OWNER: BMO Harris Bank N.A.

PRINCIPAL AMOUNT: THIRTY-TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$32,800,000)

FOR VALUE RECEIVED, the City of Waukesha, Waukesha County, Wisconsin (the "Municipality"), hereby acknowledges itself to owe and promises to pay to the Registered Owner identified above (or to registered assigns) ("Registered Owner"), on the maturity date identified above, the principal amount identified above (but only so much as shall have been drawn hereunder) and to pay interest thereon at the Applicable Interest Rate (defined below) (but only on amounts as shall have been drawn hereunder from the dates the amounts are drawn hereunder), all subject to the provisions set forth herein regarding redemption prior to maturity. The "Applicable Interest Rate" shall be equal to the lesser of (a) (81% of the LIBOR Rate (as defined below)) plus the Applicable Spread (as defined below) or (b) eighteen percent (18%) (the "Maximum Rate"). Interest is computed on the basis of actual days elapsed and a 360-day year. Interest is payable semi-annually on the first Business Days of April and October of each year, commencing on October 1, 2018 and on the Maturity Date set forth above. The Applicable Interest Rate shall be determined by the Bank on the first Business Day (as defined in the CCA) of each month and shall remain in effect, subject to adjustment as set forth herein, until the day prior to the first Business Day of the following month.

"LIBOR Rate" means the one-month London Interbank Offered Rate (or a comparable successor rate as described below) as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Bank from time to time) as reported on the first Business Day or each month, unless such rate is no longer available or published, in which case such rate shall be at a comparable alternate index rate reasonably selected by the Bank with written notice to Municipality. In no event shall the LIBOR Rate be less than 0.00%.

"Applicable Spread" means the following:

(a) Initially _____ basis points (_____%), *provided, however*, that in the event of any change in any credit rating assigned to the long-term unenhanced debt of the System by Moody's Investors Service, Inc. (the "Rating Agency"), the Applicable Spread shall be the number of basis points associated with such new rating as set forth in the following schedule:

TIER	CREDIT RATING	APPLICABLE SPREAD
I	Aa2	_____%
II	Aa3	_____%
III	A1	_____%
IV	A2	_____%
V	A3	_____%
VI	Baa1	_____%

References in this definition of Applicable Spread are to rating categories as presently determined by the Rating Agency, and in the event of the adoption of any new or changed rating system or a "global" rating scale by the Rating Agency, the rating categories shall be adjusted accordingly to a new rating which most closely approximates the requirements as set forth herein. Any change in the Applicable Spread shall apply when the Applicable Interest Rate is reset on the first Business Day of the month next succeeding the date on which the change occurs.

Notwithstanding the foregoing provisions, the Applicable Interest Rate shall be adjusted as follows:

(1) From and after any Taxable Date, the Applicable Interest Rate on the Note shall be established at a rate at all times equal to the Taxable Rate.

(2) Upon the occurrence and during the continuation of an Event of Default, the Applicable Interest Rate for the Note shall be established at a rate at all times equal to the Default Rate, payable on demand to the Bank.

(3) If the interest rate on the Note exceeds the Maximum Rate, then the Note shall bear interest at the Maximum Rate and interest on the Note calculated at the rate equal to the difference between (a) the rate of interest on the Note as calculated pursuant hereto and (b) the Maximum Rate (the "Excess Interest") shall be deferred until such date as the rate of interest borne by the Note is below the Maximum Rate, as which time Excess Interest shall be payable with respect to the Note in amounts that, when combined with the then-current interest due on the Note, does not exceed payment at the Maximum Rate.

Both the principal of and interest on this Note are payable in lawful money of the United States by the City Clerk or City Treasurer (the "Fiscal Agent").

Payment of each installment of interest shall be made to the Registered Owner hereof who shall appear on the registration books of the Municipality maintained by the Fiscal Agent and shall be paid by check or draft of the Municipality mailed to such Registered Owner at his

address as it appears on such registration books or at such other address as may be furnished in writing by such Registered Owner to the Fiscal Agent. Principal of this Note shall be payable only upon presentation and surrender of this Note at the office of the Fiscal Agent.

This Note is issued by the Municipality pursuant to the provisions of Section 66.0621(4)(L), Wisconsin Statutes, for the purpose of paying the cost of additions, extensions and improvements to the City's Waterworks System (the "Project") and refunding obligations issued to finance improvements to the Waterworks System (the "Refunding"), all as authorized by a resolution of the Common Council duly adopted by said governing body at a meeting held on March 6, 2018 (the "Resolution"). The Resolution is recorded in the official minutes of the Common Council for said date.

In the Resolution, the Common Council declared its intention and covenanted to issue Waterworks System Revenue Bonds (the "Revenue Bonds") for the purpose of paying the cost of the Project and the Refunding. The Note is issued to anticipate the sale of the Revenue Bonds.

The Note is payable only from:

- 1) any proceeds from the issuance and sale of the Note set aside for payment of interest on the Note;
- 2) the proceeds derived from the issuance and sale of the Revenue Bonds which shall be set aside as a special trust fund for that purpose; and
- 3) a pledge of the income and revenues of the Municipality's Waterworks System deposited in the Debt Service Fund (as defined in the Resolution) with the same priority of pledge as that to be enjoyed by the Revenue Bonds, such pledge being junior and subordinate to the pledge granted to the owners of the Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008 and the Waterworks System Revenue Bonds, Series 2013, dated May 22, 2013.

THE NOTE DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE MUNICIPALITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION. NO LIEN IS CREATED UPON THE WATERWORKS SYSTEM OR ANY OTHER PROPERTY OF THE MUNICIPALITY AS A RESULT OF THE ISSUANCE OF THE NOTE.

The Note is subject to redemption prior to maturity, at the option of the Municipality, on April 1, 2019 or on any date thereafter, in whole or from time to time in part, at the principal amount thereof, plus accrued interest to the date of redemption. In addition, prior to April 1, 2019, the Note is subject to redemption at the option of the Municipality upon payment of an optional redemption fee as described in the Authorizing Resolution.

Before the redemption of the Note, unless waived by the registered owner, the Municipality shall give notice of such redemption by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Note to be redeemed, in whole or in part, at the address shown on the registration books. Any notice provided as described herein shall be conclusively presumed to have been duly given, whether or

not the registered owner receives the notice. The Note shall cease to bear interest on the specified redemption date, provided that federal or other immediately available funds sufficient for such redemption are on deposit with the registered owner at that time. Upon such deposit of funds for redemption the Note shall no longer be deemed to be outstanding.

Capitalized terms used in this Note which are not defined herein shall have the meaning given to those terms in the Continuing Covenant Agreement dated April 2, 2018 between the Municipality and BMO Harris Bank N.A. relating to the Note.

It is hereby certified and recited that all conditions, things and acts required by law to exist or to be done prior to and in connection with the issuance of this Note have been done, have existed and have been performed in due form and time. The Municipality has covenanted to issue and sell the Revenue Bonds, the sale of which this Note anticipates, as soon as practicable and to set aside the proceeds of the Revenue Bonds into a special trust fund for the payment of the principal of and interest on this Note.

This Note is transferable only upon the books of the Municipality kept for that purpose at the office of the Fiscal Agent, upon surrender of the Note to the Fiscal Agent, and thereupon a new fully registered Note in the same aggregate principal amount shall be issued to the new Registered Owner in exchange therefor and upon the payment of a charge sufficient to reimburse the Municipality for any tax, fee or other governmental charge required to be paid with respect to such registration. The Fiscal Agent shall not be obliged to make any transfer of the Note after such Note has been called for redemption. The Fiscal Agent and Municipality may treat and consider the Registered Owner in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes whatsoever. The Note is issuable solely as a negotiable, fully-registered Note without a coupon.

No delay or omission on the part of the owner hereof to exercise any right hereunder shall impair such right or be considered as a waiver thereof or as a waiver of or acquiescence in any default hereunder.

IN WITNESS WHEREOF, the City of Waukesha, Waukesha County, Wisconsin, by its governing body, has caused this Note to be executed for it and in its name by the manual or facsimile signatures of its duly qualified Mayor and City Clerk; and to be sealed with its official or corporate seal, all as of the original date of issue specified above.

CITY OF WAUKESHA, WAUKESHA COUNTY,
WISCONSIN

By: _____
Shawn N. Reilly
Mayor

(SEAL)

By: _____
Gina Kozlik
City Clerk

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

(Social Security or other Identifying Number of Assignee)

the within Note and all rights thereunder and hereby irrevocably constitutes and appoints _____, Legal Representative, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

(e.g. Bank, Trust Company
or Securities Firm)

(Registered Owner)

NOTICE: This signature must correspond with the name of the Registered Owner as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

(Authorized Officer)

*The Internal Revenue Code of 1986 (IRC Section 149) requires that for interest on a municipal obligation with a term greater than one year to be exempt from federal income tax, the obligation must be issued and remain in registered form.

Section 67.09, Wisconsin Statutes provides that the City Clerk of the City when acting as the registrar shall record the registration of each note or bond in its bond registrar. Therefore, if this Note is to be assigned, the City Clerk of the City should be notified and a copy of this Assignment should be sent to the City Clerk of the City for his or her records.

EXHIBIT C

NOTICE OF FULL CALL*

Regarding

City of Waukesha,
Waukesha County, Wisconsin
Waterworks System Revenue Bonds, Series 2008
Dated April 22, 2008

NOTICE IS HEREBY GIVEN that the Bonds of the above-referenced issue which mature on the dates and in the amounts; bear interest at the rates; and have CUSIP Nos. as set forth below have been called by the City for prior payment on October 1, 2018 at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of prepayment:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
10/01/2019	\$400,000	4.25%	943113KG4
10/01/2020	415,000	4.25	943113KH2
10/01/2021	435,000	4.25	943113KJ8
10/01/2022	455,000	4.375	943113KK5

The City shall deposit federal or other immediately available funds sufficient for such redemption at the office of The Depository Trust Company on or before October 1, 2018.

Said Bonds will cease to bear interest on October 1, 2018.

By Order of the
Common Council
City of Waukesha
City Clerk

Dated _____

* To be provided by registered or certified mail, overnight express delivery, facsimile transmission, or electronic transmission to The Depository Trust Company, Attn: Supervisor, Call Notification Department, 570 Washington Blvd., Jersey City, NJ 07310, not less than thirty (30) days prior to October 1, 2018 and to the MSRB electronically through the Electronic Municipal Market Access (EMMA) System website at www.emma.msrb.org. Notice shall also be provided to Financial Security Assurance Inc., any successor, the bond insurer of the Bonds.