

## **Event Notice to Bondholders January 21, 2010**

The City of Menasha, Wisconsin (the "City"), is providing this notice to the holders of the obligations described in Exhibit A attached hereto (the "Holders"), issued to finance construction and equipping of the City's Steam Utility (the "Steam Utility").

### **Cessation of Steam Utility Operations**

The Steam Utility ceased operation of the steam plant facility on October 9, 2009.

### **Dispute and Settlement with Remaining Steam Customer**

Menasha Utilities ("MU") is a municipal public utility owned by the City and managed and operated for the City by the Menasha Utilities Commission (the "Utilities Commission"). The Steam Utility is under the charge and management of the Utilities Commission. The Material Event Notices filed by the City on February 19, 2009, March 27, 2009, and July 31, 2009, provided information regarding disputes with certain customers of the Steam Utility. This notice serves to update Holders on recent events involving the last remaining customer dispute.

MU had a long-term contract for steam sales with U.S. Paper Mills Corp. (f/k/a Sonoco-U.S. Mills, Inc.) ("Sonoco") dated October 22, 2004, as amended, which, in 2008, accounted for approximately 91% of steam sale revenues of the Steam Utility. On April 27, 2009, Sonoco notified MU of its intention to pursue arbitration alleging that MU overcharged Sonoco (1) by approximately \$2,200,000 for 2008 steam sales and (2) by approximately \$100,000 per month for 2009 steam sales. Arbitration on these matters is currently underway.

On January 18, 2010, the City entered into a settlement agreement with Sonoco in the approximate amount of \$2,000,000 containing the following monetary terms: (a) \$250,000 cash payment to be made on February 15, 2010; (b) \$1 million cash payment, plus certain interest, to be paid on the earlier of a closing of a transaction between WPPI Energy ("WPPI") and the City for the sale of certain electric distribution and related assets to WPPI (See Work-Out Process below) or September 15, 2010; and (c) a credit of two outstanding invoices (total amount \$738,962.33) for steam the City supplied to Sonoco during September - October, 2009.

### **Lawsuits Filed**

On September 18, 2009, three of the Holders filed a class action complaint in United States District Court-Northern District of Indiana, Case No. 4:09CV0064, against the City, MU and the Steam Utility with respect to the Notes (the "Class Action Complaint"). The Class Action Complaint was served on the City on October 21, 2009. On January 14, 2010, a Holder filed and served a state court action against the City to obtain certain records regarding the City, MU and the Steam Utility (the "State Suit")

The City has engaged outside legal counsel to assist the City in responding to the Class Action Complaint and the State Suit.

**Work-Out Process**

On December 7, 2009, the Common Council of the City authorized the City to enter into a preliminary sale/leaseback transaction with WPPI, under which the City would sell certain assets of the City's electric utility to WPPI Energy, Inc. and then lease back such assets (the "Investment Proposal"). The purpose of the Investment Proposal would be to provide a source of funds to enable the City to achieve resolution of Bondholders' claims and the claims of other Steam Utility creditors. No assurances can be given that the Investment Proposal, if implemented, will generate sufficient monies to resolve Bondholders' claims and claims of other Steam Utility creditors. The Investment Proposal remains subject to certain governmental and regulatory approvals, including a City voter referendum approving the sale of the electric distribution assets. No assurances can be given that such approvals will be obtained.

**Contact and Disclaimers**

Holders with questions and this Notice should direct them in writing via mail, electronic or facsimile transmission to:

Pamela Captain, Esquire  
City Attorney  
City of Menasha  
140 Main Street  
Menasha, WI 54952-3190

**EXHIBIT A**

**City of Menasha, Wisconsin - Steam Utility Purposes**

**General Obligation Debt**

\$13,930,000 Taxable G.O.  
Prom. Notes - 8/22/2007

<u>Year Due</u>	<u>CUSIP</u>	<u>Principal (9/01)</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	586464A90	<u>\$7,030,000</u>	<u>\$393,680</u>	<u>\$7,423,680</u>
		<u>\$7,030,000</u>	<u>\$393,680</u>	<u>\$7,423,680</u>

**Debt Issued Under Section 67.12(1)(b) Wisconsin Statutes**

Steam Utility  
\$2,675,000 Taxable  
NAN - 12/01/06

<u>Year Due</u>	<u>CUSIP</u>	<u>Principal (9/01)</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010			139,100	139,100
2011	586499AC9	<u>\$2,675,000</u>	<u>139,100</u>	<u>2,814,100</u>
		<u>\$2,675,000</u>	<u>\$278,200</u>	<u>\$2,953,200</u>

**Revenue Debt**

Revenue Bond Anticipation Notes

<u>Year Due</u>	<u>CUSIP</u>	<u>Principal (9/01)</u>	<u>CUSIP</u>	<u>Principal (9/01)</u>
		<u>\$12,660,000</u>		<u>\$11,500,000</u>
		Taxable Steam Utility Revenue Bond Anticipation Notes - 02/01/05		Taxable Steam Utility Revenue Bond Anticipation Notes - 12/01/06
2009	586499AA3	<u>\$11,935,385.82</u>	586499AB1	<u>\$10,841,780.17</u>
		<u>\$11,935,385.82</u>		<u>\$10,841,780.17</u>