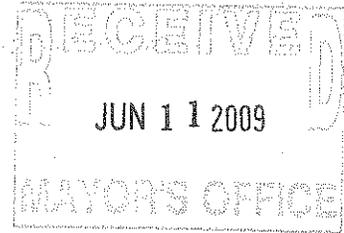




CAVANAUGH  
CAPITAL MANAGEMENT



June 5, 2009

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

Dear Mayor Merkes:

Cavanaugh Capital Management (CCM) was founded in 1991 and is a Registered Investment Advisor in Baltimore, MD. Our firm specializes in the portfolio management of fixed income securities including municipal bonds.

On behalf of its clients, CCM purchased \$2.8 million of the Menasha Wisconsin Steam Utility Revenue Bond Anticipation Notes (BANs) due 9/1/09 (CUSIP 586499AB1). The bonds were purchased at the time of issuance. The clients holding these bonds include foundations, municipalities, private schools and religious communities.

CCM has followed the news of the Steam Utility and are disappointed that the Menasha Utilities Commission recommended the closure of the Steam Utility. We believe that the closure would be a violation of the covenants in the Bond Indenture.

Furthermore, the Official Statement for the BANs was clear as to the City of Menasha's responsibilities for the Steam Utility debt. Page eight of the Official Statement stated as follows: *"The City agrees, as permitted by Section 66.0621(4)(L)6 of the Wisconsin Statutes, in the event such monies are not sufficient to pay the principal and interest on the Notes, the City will appropriate funds to pay any deficiency out of its annual general tax levy or other available funds for such payments, including surplus funds of the City's Combined Electric and Water Utility."*

Municipal bond investors rely on the pledges made by municipalities when issuing bonds. The language cited above allowed the Steam Utility bonds to enjoy an investment-grade credit rating and modest interest rates. This pledge was a material element in CCM's decision to buy the BANs on behalf of its clients.

Should the City attempt to break this promise, it would be damaging to the City's long-term finances. Potential investors would question the commitment of the City to fulfill its debt obligations. This doubt may preclude the City or its agencies from successfully raising capital at a reasonable cost. This would impede the construction and timely repair of schools, public buildings and infrastructure for the City. Ultimately, taxpayers, ratepayers and the broader community would shoulder this long-term financial burden and degradation of services.

[www.cavcap.com](http://www.cavcap.com)

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Cavanaugh Capital Management is confident that the City of Menasha will work to find a resolution and fulfill its obligation to repay debt holders. This is clearly in the best long-term interest of the City, taxpayers, the Utility and ratepayers.

Sincerely,



James M. Dugan, CFA  
President  
Cavanaugh Capital Management

CC: Alderman Jason Pamerter  
Alderman Michael Taylor  
Alderman Sue Wisneski  
Alderman Steve Pack  
Alderman Eric R. Hendricks  
Alderman Dan Zelinski  
Alderman Jim Englebert  
Alderman Kevin Benner  
City Attorney Jeff Brandt  
Comptroller Thomas Stoffell  
The BAN-holders