

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 24, 2009**NEW ISSUE
BOOK ENTRY ONLY****RATINGS:**
(See "Ratings" herein.)Fitch Moody's Standard & Poor's
Applied For Applied For Applied For

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C., Bond Counsel, under existing law the Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Internal Revenue Code of 1986 (the "Code"). Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, as of the applicable credit allowance date (as defined in Section 54A of the Code) are entitled, subject to the limitations of Code Section 54A, to a federal income tax credit for such taxable year. The amount of the tax credit will be treated as interest for federal tax purposes and will be included in gross income for all Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, in accordance with each Owner's tax status. Under current Wisconsin income and franchise tax laws, the Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, (i) will not be entitled to a credit against their Wisconsin income or franchise tax liability, and (ii) will not be required to include the amount of any federal tax credit in gross income as interest for Wisconsin income or franchise tax purposes. See "TAX MATTERS" herein.

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C., Bond Counsel, under existing law interest, if any, on the Bonds is included in gross income for federal tax purposes. The interest, if any, on the Bonds is not exempt from present Wisconsin income or franchise taxes. See "TAX MATTERS" herein.



\$48,000,000*
CITY OF MILWAUKEE
Milwaukee County, Wisconsin
General Obligation Corporate Purpose Bonds
Qualified School Construction Bonds, Series 2009 M6 (Tax Credit)

THE BONDS AND, IF APPLICABLE, ANY TAX CREDIT STRIPS, MAY HAVE LIMITED MARKET LIQUIDITY.
 See "CERTAIN INVESTOR CONSIDERATIONS REGARDING THE BONDS" herein

Dated: December 22, 2009

Due: As Shown on the inside cover

The General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds") are being issued by the City of Milwaukee, Wisconsin (the "City" and the "State", respectively) as "qualified school construction bonds" as defined in Section 54F of the Code. The Bonds are composed of a principal component (the "Principal Component") and a tax credit component (the "Tax Credit Component") which Tax Credit Component is evidenced by tax credit certificates (the "Tax Credit Certificates"). The Tax Credit Component may be separated (or "stripped") from the Principal Component of the Bonds. If the Tax Credit Component is stripped, then the Tax Credit Certificates will be delivered as tax credit strips ("Tax Credit Strips"), with one Tax Credit Strip for each credit allowance date (as defined in Section 54A(e)(1) of the Code) for the related Bonds, and the Principal Component will be delivered as a principal strip ("Principal Strip", and collectively with the Tax Credit Strips, the "Strips"), as provided in the resolution awarding the Bonds and in the Fiscal Agency Agreement, dated December 22, 2009 (the "Fiscal Agency Agreement"), between the City and _____ (the "Fiscal Agent").

Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as a part of the Bonds, on one or more credit allowance dates (as defined in Section 54A of the Code) will be entitled, subject to the limitations of Section 54A of the Code, to federal income tax credits ("Tax Credits") in an amount equal to the sum of the credits determined under Section 54A(b) of the Code with respect to such dates. See "TAX MATTERS"; see also "Certain Investor Considerations Regarding Bonds."

Interest, if any, on the Bonds, will be payable quarterly on March 15, June 15, September 15, and December 15 of each year, commencing on March 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the last day (whether or not a business day) of the immediately preceding month.

The Bonds are not subject to optional redemption or mandatory sinking fund redemption; however, the Bonds are subject to extraordinary mandatory redemption prior to maturity. See "THE BONDS – Redemption" herein.

The Bonds are being issued pursuant to Chapter 67 of the Wisconsin Statutes and are direct general obligations of the City, payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount. The proceeds from the sale of the Bonds will be used to provide financing for various school construction projects.

The Bonds have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated November 24, 2009 and are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Bonds will be on or about December 22, 2009 (the "Expected Date of Delivery") in New York, New York.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE BONDS. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:
 W. Martin Morics, City Comptroller and Secretary to Public Debt Commission
 City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321

***May be increased in accordance with the Official Notice of Sale.**

**ELECTRONIC BIDS FOR THE BONDS WILL BE RECEIVED
 UNTIL 9:30 A.M. (CENTRAL TIME) ON THURSDAY, DECEMBER 3, 2009**

MATURITY SCHEDULE

BONDS:

<u>Maturity Date*</u>	<u>Amount**</u>	<u>Credit Rate</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP⁽¹⁾ Base (602366)</u>
December 15, 2026	\$48,000,000	____%	____%		

AS AND AFTER THE TAX CREDIT COMPONENT IS STRIPPED FROM THE PRINCIPAL COMPONENT OF THE BONDS:

Principal Strip:

<u>Maturity*</u>	<u>Principal Strip Amount**</u>	<u>Interest Rate</u>	<u>CUSIP⁽¹⁾ Base (602366)</u>
December 15, 2026	\$48,000,000	____%	

Tax Credit Strips:

<u>Tax Credit Allowance Date*</u>	<u>Credit Amount</u>	<u>CUSIP⁽¹⁾ Base (602366)</u>	<u>Tax Credit Allowance Date*</u>	<u>Credit Amount</u>	<u>CUSIP⁽¹⁾ Base (602366)</u>
03/15/2010			09/15/2018		
06/15/2010			12/15/2018		
09/15/2010			03/15/2019		
12/15/2010			06/15/2019		
03/15/2011			09/15/2019		
06/15/2011			12/15/2019		
09/15/2011			03/15/2020		
12/15/2011			06/15/2020		
03/15/2012			09/15/2020		
06/15/2012			12/15/2020		
09/15/2012			03/15/2021		
12/15/2012			06/15/2021		
03/15/2013			09/15/2021		
06/15/2013			12/15/2021		
09/15/2013			03/15/2022		
12/15/2013			06/15/2022		
03/15/2014			09/15/2022		
06/15/2014			12/15/2022		
09/15/2014			03/15/2023		
12/15/2014			06/15/2023		
03/15/2015			09/15/2023		
06/15/2015			12/15/2023		
09/15/2015			03/15/2024		
12/15/2015			06/15/2024		
03/15/2016			09/15/2024		
06/15/2016			12/15/2024		
09/15/2016			03/15/2025		
12/15/2016			06/15/2025		
03/15/2017			09/15/2025		
06/15/2017			12/15/2025		
09/15/2017			03/15/2026		
12/15/2017			06/15/2026		
03/15/2018			09/15/2026		
06/15/2018			12/15/2026		

****Subject to adjustment for changes in the permitted maximum maturity as determined on the award date. Based on the current maximum allowable maturity, the maturity is currently set for December 15, 2026 and is subject to change.***

***** Subject to change in accordance with the Official Notice of Sale.***

⁽¹⁾The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds and Strips. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Bonds, the Strips, or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. These securities have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, events, conditions, or circumstances on which such statements are based occur.

**NOTE: PAGE NUMBERING AND THE FOLLOWING TABLE OF CONTENTS WILL BE UPDATED AS
WE MOVE CLOSER TO PRINT DATE**

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (the "City"), located in Milwaukee County, Wisconsin, and to set forth information concerning the following securities issued by the City:

\$48,000,000* General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds")

The following summary statement is furnished solely to provide limited introductory information regarding the City's Bonds, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the Appendices hereto.

SUMMARY STATEMENT

Issuer:	City of Milwaukee, Wisconsin.
Issue:	General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds").
Dated Date:	The Expected Date of Delivery, which is anticipated to be December 22, 2009.
Sale Date and Time:	Thursday, December 3, 2009, Until 9:30 A.M. Central Time
Maturity:	December 15, 2026 *.
Principal:	\$48,000,000*
Interest Payment Dates:	Interest, if any, on the Bonds, will be payable quarterly on March 15, June 15, September 15, and December 15 of each year, commencing on March 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the last day (whether or not a business day) of the immediately preceding month.
Denominations:	\$40,000 or integral multiples thereof.
Purpose:	The Bonds are being issued for the purpose of financing various public school facility construction, rehabilitation, and repair projects.
Security:	Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also pledged to make periodic payments into a sinking fund for the Bonds in order to accumulate sufficient funds to redeem the bonds at maturity. (See "THE BONDS - SECURITY FOR THE BONDS" herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.05(5) of the Wisconsin Statutes.
Form of Issuance:	The Bonds will be issued only as fully registered Bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds (including related Principal Strips and Tax Credit Certificate/Strips). Individual purchases will be made in book-entry form only in denominations of \$40,000 principal amount or any integral multiple thereof. Purchasers will not receive certificates representing their interests. Payments on the Bonds will be made by the Fiscal Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

** Preliminary, subject to change. See Maturity Schedule.*

Tax Status:	<p>Bond Counsel are of the opinion that Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, as of the applicable credit allowance date (as defined in Section 54A of the Code) are entitled, subject to the limitations of Code Section 54A, to a federal income tax credit for such taxable year. The amount of the tax credit will be treated as interest for federal tax purposes and will be included in gross income for all Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, in accordance with each Owner's tax status. Under current Wisconsin income and franchise tax laws, the Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, (i) will not be entitled to a credit against their Wisconsin income or franchise tax liability, and (ii) will not be required to include the amount of any federal tax credit in gross income as interest for Wisconsin income or franchise tax purposes. (See "TAX MATTERS" herein).</p> <p>In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C., Bond Counsel, under existing law interest, if any, on the Bonds is included in gross income for federal tax purposes. The interest, if any, on the Bonds is not exempt from present Wisconsin income or franchise taxes. (See "TAX MATTERS" herein).</p>		
Redemption Feature:	<p>The Bonds are not subject to optional redemption or mandatory sinking fund redemption; however, the Bonds are subject to extraordinary mandatory redemption prior to maturity. (See "THE BONDS – REDEMPTION" herein).</p>		
Official Statement:	<p>The City will provide the original purchaser of the Bonds with up to 100 copies of this Official Statement within seven business days following the award of the Bonds.</p>		
Professionals:	Bond Counsel:	<p>Katten Muchin Rosenman LLP Chicago, Illinois</p> <p>Hurtado, S.C. Wauwatosa, Wisconsin</p>	
	Disclosure Counsel:	<p>Hurtado, S.C. Wauwatosa, Wisconsin</p>	
	Financial Advisor:	<p>Robert W. Baird & Co. Milwaukee, Wisconsin</p>	
	Fiscal Agent/Trustee:	<p>To Be Determined</p> <p>_____, _____</p>	
Delivery:	<p>Delivery of the Bonds will be on or about December 22, 2009 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.</p>		
Reoffering:	<p>The public reoffering price(s) or yield(s) of the Bonds are set forth on the inside front cover page of the Final Official Statement.</p>		
Continuing Disclosure Certificate:	<p>In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 (the "Rule") and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).</p>		

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DESCRIPTION OF THE BONDS

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the Bonds for various school construction projects, by the adoption of resolutions on **October 13, 2009 and December 1, 2009** in accordance with the provisions of Chapters 67 of the Wisconsin Statutes.

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged which taxes may, under current law, be levied without limitation as to rate or amount. **_____**, will act as fiscal agent, registrar and transfer agent for the Bonds (the "Fiscal Agent"). The Bonds will be issued in fully registered form only, without coupons, coming due as a single maturity on **December 15, 2026***.

The City has designated the Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code. Interest, if any, on the Bonds, will be payable quarterly on March 15, June 15, September 15, and December 15 of each year, commencing on **March 15, 2010** to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the last day (whether or not a business day) of the immediately preceding month.

SECURITY FOR THE BONDS

The Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the Bonds.

Under and by virtue of Section 67.05(10), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on the Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid Bonds or bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

In order to provide for the maturing principal, the City has covenanted to make annual deposits into the Sinking Fund for the Bonds. The Sinking Fund will be held by the Fiscal Agent for the benefit of the Bonds. (See "Mandatory Sinking Fund Deposits" herein).

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation debt the City may issue. The Bonds are within these limitations. (See "DEBT STRUCTURE" herein).

PAYMENT OF THE BONDS

The principal amount of the Bonds matures on **December 15, 2026***. Principal of the Bonds is payable when due upon surrender of the Bonds (or, if stripped, the Principal Strips) at the office of the Fiscal Agent, who is acting under authority of a Fiscal Agency Agreement, dated as of **December 22, 2009** (the "Fiscal Agency Agreement"), by and between the City and the _____. (the "Fiscal Agent"), as set forth in Appendix D - "FISCAL AGENCY AGREEMENT". Interest, if any, on the Bonds, will be payable quarterly on March 15, June 15, September 15, and December 15 of each year, commencing on **March 15, 2010** to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the last day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months. The registered owner of the bond will initially be Cede & Co., as nominee of The Depository Trust Company, New York, New York. (See "BOOK ENTRY ONLY SYSTEM", herein).

** Preliminary, subject to change. See Maturity Schedule.*

TAX CREDITS

Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as a part of the Bonds, on one or more credit allowance dates, being each March 15, June 15, September 15, and December 15 following the date of issuance of the Bonds, and the last day on which the Bonds are outstanding ("Tax Credit Allowance Dates") will be entitled, subject to the limitations of Section 54A of the Code, to federal income tax credits ("Tax Credits") in an amount equal to the sum of the credits determined under Section 54A(b) of the Code with respect to such dates. See "TAX MATTERS" see also "Certain Investor Considerations Regarding Bonds."

Section 54A(b)(1) and (2) of the Code provide that the amount of the Tax Credits determined with respect to any credit allowance date is 25% of the annual credit amount, which is calculated by multiplying the credit rate by the outstanding face amount of the related Bonds. The credit rate for the Bonds is ____%, which is the applicable rate published by the Secretary of the Treasury as of the date on which there was a binding, written contract for the sale of the Bonds. The Tax Credit allowed for the first credit allowance date of _____, is the ratable portion of the tax credit otherwise allowed on such date based on an initial issuance date of December 22, 2009. If a Bond or, if stripped, a Tax Credit Strip is redeemed on a date other than a credit allowance date, the amount of the associated Tax Credit will be the ratable portion of the tax credit otherwise allowed based on the redemption date.

TRANSFER OF TAX CREDITS

The Bonds are being issued in a manner that allows for the separation (or "stripping") of the component of each such Bond relating to the Tax Credits ("Tax Credit Component") from the component of each such Bond for which the owner is entitled to receive principal payment with respect to the Bonds ("Principal Component") of the Bonds. Subject to the disclosure in "STRIPPING REGULATIONS NOT YET PROMULGATED", at any time, an owner of the Bonds may, by written request to the Fiscal Agent in the form provided in the Fiscal Agency Agreement, direct the Fiscal Agent to strip the Tax Credit Component for such Bonds. The City is entering into the Fiscal Agency Agreement to provide a mechanism for the stripping of the Tax Credit Component from the Principal Component of the Bonds and for the registration, transfer and exchange of the Tax Credit Strips. See "Appendix D – Fiscal Agency Agreement", Section 803; see also "Certain Investor Considerations Regarding Bonds."

STRIPPING REGULATIONS NOT YET PROMULGATED

The Code provides that any stripping of the tax credit component from the principal component of a tax credit bond shall be done pursuant to regulations prescribed by the Secretary of the Treasury. No such regulations have yet been promulgated. It is anticipated that the IRS may promulgate regulations related to qualified school construction bonds in the near future, but the timing and terms cannot be predicted. For purposes of discussing tax credit stripping herein, it is assumed that such regulations will be promulgated and that the stripping will be in compliance with such regulations and the terms of the Award Resolution and the Fiscal Agency Agreement. The City and the Fiscal Agent may amend the Fiscal Agency Agreement after the issuance of the Bonds without the consent of the owners of the Bonds for purpose of conforming the Fiscal Agency Agreement to any guidance or regulations promulgated by the IRS or the Treasury Department regarding qualified school construction bonds.

The City will use its best efforts to amend the stripping provisions to be in compliance with the IRS Rules and the City's program. Since the rules have not yet been issued, the City cannot provide any assurance that stripping provisions can be provided that are in compliance with the IRS rules, State Law, and the City's program. Problems in providing a compliant program could include reporting requirements that the City, the Fiscal Agent, or DTC are not able to perform at a reasonable cost.

WHILE A BOND OWNER MAY STRIP THE BONDS PRIOR TO THE ISSUANCE IRS REGULATIONS AND MODIFICATION OF THE STRIPPING PROGRAM, THE BOND OWNER WILL DO SO AT THEIR OWN RISK. SUCH RISK INCLUDES THE POTENTIAL LOSS OF THE TAX CREDITS. LOSS OF TAX CREDITS DUE TO STRIPPING IS NOT CONSIDERED AN ACCOUNTABLE EVENT OF LOSS OF QUALIFIED SCHOOL CONSTRUCTION BOND STATUS. THE CITY ADVISES THE BOND OWNERS NOT TO STRIP PRIOR TO THE ISSUANCE OF THE STRIPPING REGULATIONS AND THE CITY'S MODIFICATION OF THE STRIPPING PROGRAM

REGISTRATION, TRANSFER AND EXCHANGE

The Bonds, the Principal Strip Certificates and the Tax Credit Certificates will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for such obligations. Purchases under the DTC system must be made

by or through a DTC participant, and ownership interest in Bonds, Principal Strip Certificates and Tax Credit Certificates, or any transfer thereof will be recorded as entries on the books of said participants. Registered ownership of such obligations or any portion thereof, may not thereafter be transferred, except as provided in the Fiscal Agency Agreement. Owners will not receive physical certificates representing their ownership interests in the Bonds, Principal Strip Certificates or Tax Credit Certificates, except in the event that use of the book-entry system is discontinued. So long as the Tax Credit Certificates are registered in the name of Cede & Co. or its registered assigns, the process by which stripping occurs and the form of the request to strip may be modified to conform to procedures established by DTC so as to permit the registration and transfer of the Principal Strip Certificates and Tax Credit Certificates in the book-entry records of DTC, including, but not limited to, modifications to accommodate the assignment of separate CUSIP numbers to the Principal Strip Certificates and the Tax Credit Certificates for each Credit Allowance Date on the date the Bonds are executed and delivered or when the stripping occurs. Upon a discontinuance of the book-entry-only system with DTC, the City may in its discretion attempt to establish a securities depository / book-entry-only relationship with another qualified securities depository.

REDEMPTION

No Optional Redemption or Mandatory Sinking Fund Redemption.

The Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their stated maturity.

Extraordinary Mandatory Redemption from Unexpended Proceeds of the Bonds

The Bonds are subject to extraordinary redemption, as a whole or in part, and if in part pro-rata, at a price fixed under the Fiscal Agency Agreement, to the extent that less than 100% of the available project proceeds of the Bonds (which equals the excess of the proceeds from the sale of the Bonds over allowable issuance costs financed by the Bonds (to the extent such costs do not exceed 2% of such proceeds), and the proceeds from investments of such excess (“Unexpended Proceeds”) are not expended for qualified purposes by the end of the three-year expenditure period beginning on the date of issuance of the Bonds (or, if an extension has been granted, then by the close of the extended period). Such redemption shall occur on a March 15, June 15, September 15, or December 15 within 90 days of the end of such three-year period or extended period. If the Tax Credit Component has been stripped from the Principal Component of the Bonds, the Tax Credit Certificates related to the redeemed Principal Strip Certificates will be called for redemption in the same manner as the Bonds as described above, and the redemption price therefore will be allocated to the Principal Strips and the Tax Credit Strips as provided for in the Fiscal Agency Agreement. See “Appendix D – Fiscal Agency Agreement”, Article IV, particularly Section 402, and Section 804.

If any of the Bonds are called for extraordinary mandatory redemption, the associated Tax Credits will expire on the date the associated Bonds are so redeemed.

REDEMPTION AND NOTICE OF REDEMPTION

Pro-rata redemption and notification procedures are provided for in Article IV of the Fiscal Agency Agreement (See “Appendix D – Fiscal Agency Agreement”). While the City will select Bonds for redemption on a pro-rata basis, and will inform DTC of the pro-rata selection method, the City cannot provide any assurance that DTC’s method of allocating redemptions among Direct Participants, Direct Participants allocation of redemptions among Indirect Participants, and Direct and Indirect Participant’s allocation of redemptions among Beneficial Owners will be pro-rata.

MANDATORY SINKING FUND DEPOSITS

Although the Bonds are not subject to mandatory sinking fund redemption, the City has covenanted to set aside deposits in the following annual amounts, by December 15 of each of the following years, into a sinking fund account to be held by the Fiscal Agent and applied to the payment of the principal amount of the Bonds at maturity. Sinking fund deposits will begin by 2014 and will be in substantially equal, annual amounts until maturity based on the maximum permitted maturity date.

<u>December 15</u>	<u>Mandatory Sinking Fund Deposit</u>
2013	\$ ____
2014	\$ ____
2015	\$ ____
2016	\$ ____
2017	\$ ____
2018	\$ ____
2019	\$ ____
2020	\$ ____
2021	\$ ____
2022	\$ ____
2023	\$ ____
2024	\$ ____
2025	\$ ____

The Fiscal Agent may invest the Sinking Fund in any security authorized by §67.11 of the Wisconsin Statutes which mature no later than necessary to provide moneys for redemption payments. The City shall not be required to make a sinking fund deposit on any date where the sum of the maturing value of the investments held in the Sinking Fund on deposit is sufficient to pay in full, the principal amount of Bonds outstanding.

DEFEASANCE

Section 1101 – Defeasance, of the Fiscal Agency Agreement (see “Appendix D – Fiscal Agency Agreement) provides for defeasance of the Bonds. For the benefit of Tax Credit holders, the ability of the City to defease Bonds is limited by Section 706 – Limitations on Legal Defeasance. Upon defeasance, the obligation, lien, pledges, covenants, and agreements of the City shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding,

LOSS OF QUALIFIED SCHOOL CONSTRUCTION BOND STATUS

In the event of Determination of Loss of Qualified School Construction Bond Status, or upon the City’s election to convert the Bonds to interest bearing bonds in connection with the Bond defeasance, the Bonds shall be converted to an interest bearing coupon (“Additional Interest”) at the same rate and payment dates as the Tax Credit. Provided, however, that the Tax Credit payment date(s) between the Date of Loss of Qualified School Construction Bond Status and the first March 15th after the first October 1st after such loss date, shall be fixed at of March 15 in the year after the first October 1 after such loss date. See “Appendix D – Fiscal Agency Agreement”, section 806.

As used above, the following terms have the following meanings:

"Determination of Loss of Qualified School Construction Bond Status" means (a) a final determination by the Internal Revenue Service (after the City has exhausted all administrative and judicial appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status, or (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

"Accountable Event of Loss of Qualified School Construction Bond Status" means (a) any act or any failure to act on the part of the City, constituting a breach of a covenant or agreement of the City contained in the Fiscal Agency Agreement, the Tax Agreement, dated as of the closing date and executed by the City in connection with the issuance of the Bonds (the "Tax Agreement"), which causes the Bonds to lose their status, or fail to qualify, as "qualified school construction bonds" under section 54F of the IRS Code, or (b) the making by the City of any representation contained in the Fiscal Agency Agreement, the Tax Agreement or the Bonds, which representation was untrue when made and the untruth of which representation at such time causes the Bonds to lose their status, or fail to qualify, as such "qualified school construction bonds".

ACCOUNTABLE EVENT OF LOSS OF QUALIFIED SCHOOL CONSTRUCTION BOND STATUS DOES NOT INCLUDE LOSS OF TAX CREDITS DUE TO STRIPPING OF THE BONDS.

"Date of Loss of Qualified School Construction Bond Status" means the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Bonds lose their status, or fail to qualify, as qualified school construction bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of issuance of the Bonds.

CERTAIN INVESTOR CONSIDERATIONS REGARDING THE BONDS

The federal tax law provisions providing for the issuance of "qualified school construction bonds" were created as part of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). There is currently no secondary market for qualified school construction bonds, such as the Bonds, or the tax credits associated with such bonds. There can be no assurance that a secondary market will develop, or if a secondary market does develop, that it will provide Owners with liquidity or continue for the full term of the Bonds. The mechanics of transfer and registration of the Bonds and, if stripped, the Principal Strips and Tax Credit Strips, and the developing nature of their treatment under relevant federal tax law may further limit liquidity. Further, illiquid obligations such as the Bonds generally exhibit greater price volatility than traditional municipal bonds.

The Tax Credits are not refundable tax credits; if an Owner of a Tax Credit Certificate, whether held as a Tax Credit Strip or as a part of the Bonds, has gross income tax liability for a given year less than the amount of Tax Credits to which the Owner is entitled for that year, then the Owner would be required to carry forward any excess tax credit to subsequent tax years. See "FEDERAL TAX CREDITS" below.

The Tax Credits to which an Owner is entitled on each March 15, June 15, September 15, and December 15 beginning March 15, 2010 and until the maturity or redemption date ("Tax Credit Allowance Date") are not transferable after such Tax Credit Allowance Date. Potential investors should be aware that to the extent that such investor is not a potential taxpayer (either now or in the future) and owns a Tax Credit Certificate, whether held as a Tax Credit Strip or as a part of the Bonds, on a Tax Credit Allowance Date, the Tax Credit cannot be utilized. Moreover, there can be no assurance that such an investor will be able to sell such obligation prior to the Tax Credit Allowance Date, in particular in light of the lack of liquidity for such obligations as described above.

The City is entering into a Fiscal Agency Agreement that provides a mechanism for the stripping of the Tax Credit Component from the Principal Component of the Bonds, and for the registration, transfer and exchange of the Tax Credit Strips. The nature of the practices surrounding those activities are still developing. As a result, it may be necessary following the date of delivery of the Bonds for the City and the Fiscal Agent to make adjustments to the provisions set forth in the Fiscal Agency Agreement or otherwise described herein, in particular if and as the Internal Revenue Service provides additional guidance with respect to tax credit bonds such as the Bonds and the stripping of the tax credit component of such Bonds. No assurance can be provided that the City can make the necessary adjustments to conform the stripping program to the IRS rules adopted after the date of issuance of the Bonds.

Under certain circumstances, in the event of a Determination of Loss of Qualified School Construction Bond Status, the City has agreed to convert the Tax Credits into a coupon at the Tax Credit rate, as further provided under the Fiscal Agency Agreement. (See "LOSS OF QUALIFIED SCHOOL CONSTRUCTION BOND STATUS," herein).

INVESTMENT POLICIES OF THE CITY

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local

Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool ("LGIP") as a subset of the State Investment Fund (the "Fund"). The LGIP includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The LGIP portion of the Fund is additionally secured as to credit risk.

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of December 31, 2008, the City had approximately 21.24% (\$124,477,448) of its and MPS's investments deposited in the LGIP.

SWIB invests the assets of the Fund, which includes assets of the LGIP. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 590,870 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area ("SCMSA") consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States of America.

The Port of Milwaukee provides access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is also connected with the interstate highway system.

The City was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. Wisconsin gained statehood in 1848. The City, operating under a Home Rule Charter since 1874, has a council-mayor form of government.

ELECTED OFFICIALS

The Mayor, City Attorney, Comptroller, Treasurer and Common Council members are elected officials of the City. Local elections are non-partisan. The Mayor, City Attorney, Comptroller and Treasurer are elected at-large for identical four-year terms.

The Common Council represents fifteen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 40,000.

CITY OFFICIALS
As of April 15, 2008
(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2012.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,307 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

Other major local governmental units and their related government services are the Milwaukee Public Schools (education); Milwaukee County (parks, airport/mass, transit/highways, social services and court system); Milwaukee Metropolitan Sewerage District (wastewater treatment); and the Milwaukee Area Technical College (higher education). Wisconsin Statutes require the City to issue debt for Milwaukee Public Schools. The other governmental units listed each have the statutory authority to issue general obligation debt.

Two special purpose governmental units exist with the ability to borrow and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball District (the "SWPB District"), a public entity created by State legislation, encompassing five southeastern Wisconsin counties, including Milwaukee County, to finance construction/operations of a new baseball facility ("Miller Park") for the National League Milwaukee Brewers baseball club. Miller Park opened in March, 2001. The SWPB District has issued \$199 million of revenue bonds supported by a five-county, one-tenth of one percent sales tax and other ancillary revenue streams. In addition, \$45 million of lease certificates of participation have been issued by the SWPB District to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose governmental unit is the Wisconsin Center District ("WC District"), a public entity created by State legislation, which oversees construction/operation of the Midwest Airlines Center, the City's major convention complex. This complex also includes the US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by \$185 million of revenue bonds issued by the WC District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the WC District. Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, the WC District issued \$30 million of bonds to renovate the Milwaukee Auditorium which was renamed the Milwaukee Theatre.

In addition to the facilities noted above, the City is home to a modern 17,000+ seat indoor sports and concert venue, the Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. The City also boasts the lakefront Milwaukee Art Museum as well as a major symphony, ballet and opera companies, and other theatre and performing arts.

May 4, 2001 marked the unveiling of phase one of Milwaukee Art Museum's new expansion and renovation, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

Finally, the Milwaukee area is the site of a number of higher education institutions including Marquette University, the University of Wisconsin – Milwaukee, Alverno College, Mount Mary College and the Milwaukee School of Engineering.

EMPLOYEE RELATIONS

Approximately 6,070 of the City's full-time employees are members of nineteen different bargaining units represented by unions. Thirteen labor agreements expired on December 31, 2006. Five labor agreements covering over 3,000 employees are in place through December 31, 2009, and one labor agreement covering over 2,000 employees is in place through December 31, 2011.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a 2009 population of 584,000 (preliminary estimate), represents approximately 40% of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding the City is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74% of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. 48% of the Milwaukee SCMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

Year	Population	Adjusted Gross Income Per Return
2009	584,000*	N/A
2008	590,870	N/A
2007	590,190	\$33,225
2006	590,370	32,370
2005	592,765	30,988

**Preliminary estimate.*

Sources: Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2003 through December 2008.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$334,954,154	2,884
2004	294,811,125	2,784
2005	529,251,733	2,599
2006	424,763,947	2,655
2007	336,748,300	2,405
2008	249,992,533	2,067

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
2003	\$20,069,077	159	\$91,792,191	666	\$111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244
2005	33,751,976	193	113,713,239	500	147,465,215	693	231
2006	25,146,380	162	95,804,142	519	120,950,522	681	189
2007	24,940,117	160	123,505,408	677	148,445,525	837	187
2008	15,632,811	90	63,975,007	509	79,607,818	599	104

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$61,824,799	96
2004	63,485,441	89
2005	166,425,515	106
2006	134,084,138	113
2007	82,501,318	105
2008	59,502,236	74

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$54,241,508	202
2004	34,176,914	95
2005	51,889,921	49
2006	38,009,733	243
2007	19,791,921	140
2008	9,107,611	85

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$107,026,579	2,399
2004	118,905,782	2,356
2005	163,471,082	2,213
2006	131,719,554	2,110
2007	86,009,536	1,973
2008	101,774,868	1,804

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington D.C.

**LEADING BUSINESS AND INDUSTRIAL FIRMS
LOCATED WITHIN MILWAUKEE COUNTY**

The listing of large employers in the Milwaukee County area which follows, reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list which includes only employers with the majority or all of their employment in Milwaukee County.

Employer	2008	Type of Business or Service
	Employment Estimates	
Aurora Health Care	25,937	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	11,100	Government
Milwaukee Public Schools	10,690	Education
Wheaton Franciscan Healthcare	9,020	Health Care
Roundy's Supermarket	8,480	Retail grocer
City of Milwaukee	7,307	Government
Quad Graphics	7,000	Commercial printing
Kohl's Corporation	6,900	Specialty department stores
GE Healthcare Technologies	6,462	Medical imaging, healthcare services
Wal-Mart Stores	6,229	Discount retail stores and warehouse clubs
Milwaukee County	5,708	Government
Northwestern Mutual Life	5,100	Insurance
Pro Healthcare, Inc.	4,936	Health care provider
Medical College of Wisconsin	4,700	Medical school/academic/health care
WE Energies	4,700	Electric/natural gas utility
Froedtert Memorial Lutheran Hospital and Community Health	4,365	Health Care
Columbia-St. Mary's	4,339	Health care provider
M&I Marshall & Ilsley	4,314	Holding company banking/finance and data services
AT & T Wisconsin	4,300	Communications
Harley-Davidson Motor Company	3,742	Manufacturer, motorcycles
University of Wisconsin-Milwaukee	3,531	Education
US Bank (formerly Firststar Corporation)	3,350	Finance, banking
Target Corporation	3,318	Discount department store chain
Rockwell Automation (formerly Allen-Bradley)	3,258	Manufacturer, electrical/electronic products
Walgreens Co.	3,240	Retail drugstore chain

Source: The 2009 Business Journal Book of Lists. Employer contacts July 2009.

EMPLOYMENT AND INDUSTRY

During 2008, the City's unemployment rate averaged approximately 7.2%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2004 through December 2008. The information below reflects revisions, corrections, and new inputs from the 2000 census, including the application of the changes to the prior years shown. For further information on the changes, please contact the U.S. Bureau of Labor Statistics, or visit their website at <http://www.bls.gov>.

ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2008	6.6%	4.8%	4.7%	5.8%
2007	7.2	5.1	4.9	4.6
2006	7.0	4.9	4.7	4.6
2005	7.2	5.0	4.8	5.1
2004	7.8	5.4	5.0	5.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.

RECENT MONTHLY UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
September 2009	11.0% ⁽¹⁾	8.5% ⁽¹⁾	7.7% ⁽¹⁾	9.5%

⁽¹⁾ Preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

TEN LARGEST TAXPAYERS WITH 2008 ASSESSED VALUATIONS

US Bank Corporation	\$256,738,190
Northwestern Mutual Life Ins.	\$203,882,060
Marcus Corp/Milw City Center/Pfister	\$125,713,250
Metropolitan Associates	\$101,764,920
NNN 411 East Wisconsin LLC	\$94,840,000
Crichton-Hauck/Shoreline/Juneau Village	\$92,662,300
Towne Realty	\$85,806,400
M & I Marshall & Ilsley Bank	\$84,574,980
100 E. Wisconsin Ave Joint Venture	\$73,121,560
Geneva Exchange Fund	\$69,755,000

Source: City of Milwaukee, Assessor's Office January 2009.

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DEBT STRUCTURE

The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes, as supplemented and amended, further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes.

DEBT MARGIN (Includes the Bonds)

Equalized Value of Taxable Property in the City	\$32,257,525,000
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Legal Debt Limitation for City Borrowing

5% of Equalized Value	\$1,612,876,250
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General Obligation Debt Outstanding subject to 5% Limit as of 12/17/09	\$721,900,000 ⁽¹⁾	
Plus: GO QSCB	48,000,000 *	
Less: Provision for current year maturities	—	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 12/17/09		\$769,900,000*

Total Debt Margin for City Borrowing (in Dollars)	\$842,976,250*
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(As a percentage)	52.3%*
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Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value	\$645,150,500
-----------------------	---------------

General Obligation Debt Outstanding subject to 2% Limit as of 12/17/09	\$14,774,150	
Less: Provision for current year maturities	—	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 12/17/09		\$14,774,150

Total Debt Margin for School Purpose Borrowing (in Dollars)	\$630,376,350
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(As a percentage)	97.7%
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⁽¹⁾ Excludes New Commercial Paper debt that may be issued after November 1, 2009. See "Future Financing"

* Preliminary, subject to change.

DEBT REFUNDED

The City has issued the following series of general obligation refunding bonds that have outstanding escrow amounts:

\$159,985,000 General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, and Bank of New York as escrow trustee.

\$45,240,000 General Obligation Refunding Bonds, Series 2005 A5, dated June 7, 2005, for the purpose of refunding portions of seven general obligation issues, with a final escrow payment in 2012, with Associated Trust Company, National Association as escrow trustee.

None of the refunded debt is reflected in the "DEBT MARGIN" presentation above.

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF DECEMBER 17, 2009 ⁽¹⁾

Public Buildings	\$164,317,596
Tax Increment Districts	164,106,197
Schools (5% City Borrowing)	81,445,988
Schools (2% School Purpose Borrowing)	14,774,150
Streets	77,963,434
Sewers	42,765,943
Finance Real & Personal Property Tax Rec	40,507,966
Police	33,782,665
Fire	18,772,357
Blight Elimination/Urban Renewal	17,775,119
Water	15,285,149
Bridges	15,137,578
Local Improvement Projects/Special Ass	12,993,529
Parking	11,615,604
Playground/Rec Facilities	8,194,391
Library	7,620,907
Municipal Expenses	6,573,040
Harbor	2,735,045
Grant & Aid Improvements City Share	239,004
Economic Development	29,192
Industrial Land Bank	20,467
Milwaukee Exposition and Conv Center	9,621
Resource Recovery	6,652
Lakefront Development	<u>2,556</u>
Total	<u>\$736,674,150</u> ⁽¹⁾

⁽¹⁾ Excludes New Commercial Paper debt that may be issued after November 1, 2009
See "Future Financing"

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

The following indicates the annual requirements of principal and interest on the general obligation debt of the City.

Year	Total G.O. Debt Service as of 12/31/2009 ⁽¹⁾⁽²⁾	Series 2009 M6		Total Requirements After Issuance
		Sinking Fund*	Interest ⁽³⁾	
2010	\$148,236,243		\$480,000	\$148,716,243
2011	112,824,007	\$0	480,000	113,304,007
2012	98,469,855	0	480,000	98,949,855
2013	90,073,491	3,428,571	480,000	93,982,062
2014	83,526,568	3,428,571	480,000	87,435,139
2015	75,243,216	3,428,571	480,000	79,151,787
2016	68,085,110	3,428,571	480,000	71,993,681
2017	60,113,736	3,428,571	480,000	64,022,307
2018	79,880,372	3,428,571	480,000	83,788,943
2019	41,046,694	3,428,571	480,000	44,955,265
2020	33,715,662	3,428,571	480,000	37,624,233
2021	32,297,255	3,428,571	480,000	36,205,826
2022	24,303,129	3,428,571	480,000	28,211,700
2023	19,658,090	3,428,571	480,000	23,566,661
2024	9,509,105	3,428,571	480,000	13,417,676
2025	4,690,492	3,428,571	480,000	8,599,063
2026	0	3,428,577	480,000	3,908,577
	<u>\$981,673,026</u>	<u>\$48,000,000</u>	<u>\$8,160,000</u>	<u>\$1,037,833,026</u>

⁽¹⁾ Assumes the maximum interest rate of 12.0% on \$127,600,000 of variable rate debt (the tax levy requirement).

⁽²⁾ Excludes New Commercial Paper debt that may be issued after November 1, 2009. See "Future Financing".

⁽³⁾ Assumes a supplemental coupon rate of 1.00% on the 2009 M6

* Preliminary, subject to change.

**TRENDS OF GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)**

Year 12/31	Total G.O. Debt	Self-Sustaining G.O. Debt	Levy Supported G.O. Debt
2004	\$672,642	\$196,549	\$476,093
2005	710,409	245,016	465,394
2006	797,462	268,901	528,561
2007	747,298	294,952	452,346
2008	788,579	291,317	497,262

**TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)**

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes ⁽¹⁾	Water	Sewer ⁽²⁾	Total Self-Sustaining
2004	\$98,051	\$16,613	\$22,824	\$26,260	\$32,801	\$0	\$196,549
2005	118,997	13,953	20,428	26,323	27,949	37,366	245,016
2006	146,232	12,747	18,449	27,070	23,257	41,146	268,901
2007	143,886	11,733	16,458	28,320	19,895	74,661	294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317

General Obligation debt whose debt service requirements are paid by non-Citywide property tax revenues.

⁽¹⁾ Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.

⁽²⁾ Amount reflects the portion of GO Sewer Debt paid by the Sewer Utility.

Beginning in 2007, the Sewer Utility paid the full amount of the GO Sewer Debt.

RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita

Year 12/31	Population ⁽¹⁾	Net Equalized Valuation	Assessed Valuation	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2004	593,920	\$23,491,773,700	\$22,772,419,500	\$672,642,303	2.86%	2.95%	\$1,133
2005	592,765	26,256,713,800	25,222,149,174	710,409,475	2.71	2.82	1,198
2006	590,370	30,226,985,500	28,354,951,841	797,462,085	2.64	2.81	1,351
2007	590,190	31,887,192,100	29,374,372,962	747,298,112	2.34	2.54	1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59	1,335

⁽¹⁾ Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

The Public Debt Amortization Fund may be used to purchase and prepay City GO Debt. Assuming the unsegregated fund balance is used to prepay City GO Debt at year-end, the following results would have occurred:

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2004	\$45,042,456	2.67%	\$1,057
2005	46,513,313	2.53	1,120
2006	48,727,784	2.48	1,268
2007	50,824,739	2.18	1,180
2008	50,916,679	2.29	1,248

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
DECEMBER 17, 2009**

<u>Governmental Unit</u>	<u>Debt Outstanding As of December 17, 2009</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of December 17, 2009</u>
City of Milwaukee ⁽¹⁾	\$807,074,150	100.00%	\$807,074,150
Area Board of Vocational, Technical and Adult Education, District No. 9	105,475,000	38.49	40,597,328
County of Milwaukee ⁽²⁾	730,205,554	46.78	341,590,158
Milwaukee Metropolitan Sewerage District ⁽³⁾	845,055,827	50.21	424,302,531
TOTAL NET DIRECT AND OVERLAPPING DEBT	\$2,487,810,531		\$1,613,564,166

⁽¹⁾ Includes \$87,772,462 general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Does not include the new issue, nor Commercial Paper debt issued after November 1, 2009.

⁽²⁾ Includes new issues of \$30,365,000 (estimate) Taxable General Obligation Corporate Purpose Bonds, Series 2009E (Build America Bonds-Bonds Payment) and \$15,610,000 (estimate) General Obligation Promissory Notes, Series 2009F as of December 1, 2009.

⁽³⁾ Includes approximately \$625,310,823 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD. This figure is net of 2009 principal payments.

FUTURE FINANCING

As of November 1, 2009, the City has \$437,654,666 authorized unissued general obligation debt, for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has authorized unissued revenue anticipation borrowing that it does not intend to issue.

The authorized unissued general obligation debt includes \$89 million for sewer purposes. The City intends to borrow as much as possible of that amount from the State of Wisconsin Clean Water Fund program on a revenue bond basis. The borrowings from the Clean Water Fund program are not general obligation debt, but will be secured by revenues of the City's Sewerage System.

The 2010 Budget of the City includes approximately \$150,000,000 of new authorizations for general obligation debt. The 2010 budget also contains \$400,000,000 for revenue anticipation borrowing for cashflow purposes, some of which may be issued on a general obligation basis.

Before the end of the year, the City intends to borrow \$50,000,000 or more through the City's Commercial Paper program to temporarily finance capital expenditures. In January, 2010, the City intends to issue long term debt for new money purposes and to provide permanent financing for most of the City's outstanding commercial paper. The January, 2010 financing could be \$100,000,000 or more.

See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

COMMERCIAL PAPER PROGRAM

The City has authorized the issuance of Commercial Paper ("CP") with the General Obligation Commercial Paper Promissory Notes, 2008 Program Series C2, Series R3, and Series T4 (Taxable) (the "Series C2 Notes", "Series R3 Notes", and "Series T4 Notes" respectively, and together, the "CP Notes"). Any combination of Series C2 Notes, Series R3 Notes, and Series T4 Notes, up to an aggregate total of \$125,000,000, is authorized to be outstanding at any time. The CP Notes are general obligation debt of the City and are additionally secured by a direct pay letter of credit from State Street Bank that expires on December 1, 2012. The CP Notes are authorized to be outstanding until January 31, 2018.

The CP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the CP Notes program is to provide interim financing for expenditures pending the City's next long-term financing. As of November 1, 2009, the City had \$32,000,000 of Series C2 Notes and \$3,000,000 of Series T4 Notes outstanding. The City has the ability to issue \$90,000,000 of CP Notes.

AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

The City has no outstanding Auction Rate securities. The City has no insured debt that has a put option. The City's CP Notes are additionally secured by liquidity facilities provided by State Street Bank. The \$23,000,000 outstanding Series 2005 V8 is a 7-day variable rate demand bond secured by a Stand-By Bond Purchase agreement that expires on December 1, 2012. The CP Notes are secured by a direct pay letter of credit that expires on December 1, 2012.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the Milwaukee Public Schools ("MPS"), issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (IB) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bondholders do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk. \$70,850,000 of the interest rate swaps were with Lehman Brothers Special Financing Inc. (LBSF), which filed for bankruptcy in September, 2008. As of 11/1/2009, the interest rate swaps with LBSF had a theoretical market value to MPS of \$-14.7 million (a negative dollar amount is the amount MPS would owe in the event of an early termination). The City is working with MPS to replace the interest rate swaps with LBSF.

REVENUE BONDING

The City has issued revenue bonds for its Water and Sewerage Systems and has issued industrial revenue bonds on behalf of borrowers for eligible projects. Additionally, the Housing Authority of the City (the "Housing Authority"), the Redevelopment Authority of the City (the "Redevelopment Authority"), the Milwaukee Economic Development Corporation and related entities also have outstanding obligations. Collectively, the programs of the Housing and Redevelopment Authorities and Milwaukee Economic Development Corporation complement the City financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2009, the outstanding balance was \$9.4 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional \$33,885,000 of Sewerage System Revenue Bonds. As of December 1, 2009, total outstanding Sewerage System Revenue Bonds was \$48,115,000 with a final maturity in 2023.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 1, 2009, the City had \$48.0 million outstanding under the program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See "FUTURE FINANCING").

Industrial Revenue Bonding Program — The City has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are to create additional tax base, additional jobs, or both.

Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

Housing Authority of the City of Milwaukee — Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for “stand-alone” projects. The Housing Authority bonds and notes are limited obligations of the Housing Authority and are not a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between the period 1983 and December 1, 2008 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$10.0 million are still outstanding.

Redevelopment Authority of the City of Milwaukee — The Redevelopment Authority is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the Section 66.1333 (formerly Section 66.431) of the Wisconsin Statutes, as supplemented and amended (“Redevelopment Authority Act”).

The Redevelopment Authority has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Redevelopment Authority Act, and is authorized under the Redevelopment Authority Act to issue revenue bonds for the financing of such programs and projects and to enter into revenue agreements to provide revenues for the payment of such revenue bonds.

Since its creation, the Redevelopment Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Redevelopment Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power.

The majority of these issues are supported solely by the revenues of the various projects. While in each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power; there are certain issues which involve contingent liabilities of the Redevelopment Authority and/or the City.

As of December 31, 2008, the Redevelopment Authority had outstanding: two bond issues with \$73,375,000 outstanding that have a Moral Obligation Pledge of the City; and \$294,035,122 in seven bond issues for MPS, one secured by a lease, and six secured by loan agreement, with the Milwaukee Board of School Directors (“MBSD”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. See “TAX INCREMENT DISTRICT FINANCING” herein.

Milwaukee Economic Development Corporation — As of December 31, 2008, the Milwaukee Economic Development Corporation, or through a related entity, funded loans for 1,045 small businesses and redevelopment projects utilizing \$223 million to leverage a total of \$1,124 million in investment. 887 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$44 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration’s Section 503 and 504 loan programs in the amount of \$10 million as of December 31, 2008.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID") of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of November 1, 2009, \$164,911,197 general obligation bonds for TID purposes was outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the Moral Obligation Pledge of the City. That bond issue is in variable rate mode secured by a Letter of Credit ("LOC"). The LOC expires in May, 2010, and the bank has indicated that it will not be renewing the LOC. RACM and the City are working on alternatives for the financing. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2008 Assessed Tax Rate for Milwaukee Public Schools is \$9.82 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TIDs cash flow deficiencies with other City revenues. In connection with the change in the school aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension. Extensions are available under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the City's general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits his statement of anticipated non-property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limits with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2006-2011 Capital Improvements Plan ("CIP") describes planned capital improvement projects and programs, together with proposed financing. School purpose improvements are financed by the City for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,132 million. About \$910 million or 80% of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 20% is for expansion purposes.

Surface transportation accounts for approximately 29% of the CIP, or about \$331 million. 30% (\$334 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$197 million of capital spending (17%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 24% (\$269 million) is planned for general governmental, health and safety, grant and aid, culture and recreation purposes. All school spending is dedicated to deferred maintenance, repairs and remodeling projects, including \$2 million per year of Americans with Disabilities Act ("ADA") accessibility projects.

The portion of the \$1,132 million six-year CIP to be financed by the property tax levy totals about \$402 million (36%). This in turn is composed of direct tax levy funding of \$29 million (3%) and tax levy supported debt financing of \$373 million (33%). Cash revenues including Federal and State grants, developer financing and other sources, total \$215 million (19%) of planned CIP spending. An additional \$158 million (14%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining \$301 million (27%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the school purpose borrowing, \$2 million per year is ADA reimbursable debt, and the balance is tax levy supported.

The Adopted 2009 Capital Improvements Budget totals \$234 million compared to a 2008 Budget of \$266 million. Major categories include \$82 million of public works projects (streets, buildings, etc.), \$59 million of water and sewer projects, and \$44 million of economic development projects.

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ADOPTED BUDGET - COMBINED REVENUES - 2009

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$123,740,757	—	\$70,605,810	\$1,764,320	—	\$196,110,887
Provision for Empl Retirement ⁽¹⁾	35,888,093	—	—	—	—	35,888,093
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	<u>164,628,850</u>	<u>—</u>	<u>70,605,810</u>	<u>1,764,320</u>	<u>0</u>	<u>236,998,980</u>
Revenues						
Taxes	14,141,000	—	—	—	—	14,141,000
Licenses and Permits	13,137,900	—	—	—	—	13,137,900
Intergovernmental Revenues	272,252,400	78,370,351	—	—	—	350,622,751
Charges for Service	119,484,681	—	—	—	—	119,484,681
Fines and Forfeitures	5,593,000	—	—	—	—	5,593,000
Miscellaneous Revenues	9,344,195	15,000,000	—	—	—	24,344,195
Fringe Benefits ⁽²⁾	22,650,000	—	—	—	—	22,650,000
Parking	18,132,150	—	2,822,454	—	19,533,930	40,488,534
Water Works	—	—	5,139,635	—	73,310,065	78,449,700
Sewer Maintenance Fund	10,097,930	—	10,144,000	—	26,665,700	46,907,630
Retained Earnings	—	—	—	—	51,437,267	51,437,267
Sinking Fund	—	—	169,950,916	—	—	169,950,916
Special Assessments	—	7,142,523	—	150,300	—	7,292,823
Capital Revenue	—	—	—	19,390,000	—	19,390,000
Total Revenues	<u>484,833,256</u>	<u>100,512,874</u>	<u>188,057,005</u>	<u>19,540,300</u>	<u>170,946,962</u>	<u>963,890,397</u>
Tax Stabilization						
Transfer from Reserves	22,378,500	—	—	—	—	22,378,500
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	104,545,359	31,486,000	136,031,359
Grand Total	<u>\$671,840,606</u>	<u>\$100,512,874</u>	<u>\$258,662,815</u>	<u>\$125,849,979</u>	<u>\$202,432,962</u>	<u>\$1,359,299,236</u>

⁽¹⁾ Includes employer and employee pension contributions and City employers' share of FICA.

⁽²⁾ For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2009

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$8,850,868	—	—	\$1,656,920	—	\$10,507,788
Assessor's Office	4,539,601	—	—	—	—	4,539,601
City Attorney	7,104,963	—	—	—	—	7,104,963
City Treasurer	2,959,256	—	—	—	—	2,959,256
Common Council - Clerk	8,228,642	—	—	350,000	—	8,578,642
Municipal Court	3,332,482	—	—	683,645	—	4,016,127
Comptroller	5,483,015	—	—	—	—	5,483,015
Dept of City Development	4,408,117	—	—	43,844,614	—	48,252,731
Election Commission	1,315,764	—	—	40,000	—	1,355,764
Employee Relations, Dept of	4,982,399	—	—	—	—	4,982,399
Fire and Police Commission	1,071,067	—	—	150,000	—	1,221,067
Fire Department	104,997,269	—	—	2,807,500	—	107,804,769
Health Department	13,600,881	—	—	864,000	—	14,464,881
Library Board	21,811,023	—	—	4,144,000	—	25,955,023
Mayor's Office	1,279,774	—	—	—	—	1,279,774
Neighborhood Services	14,104,331	—	—	—	—	14,104,331
Police Department	230,576,730	—	—	6,664,000	—	237,240,730
Port of Milwaukee	4,795,011	—	—	1,500,000	—	6,295,011
DPW - Administration	4,890,430	—	—	350,000	—	5,240,430
DPW - Infrastructure	26,390,916	—	—	31,707,300	—	58,098,216
DPW - Operations	72,301,762	—	—	15,263,000	—	87,564,762
Water Works	—	—	5,139,635	—	119,660,840	124,800,475
Sewer Maintenance Fund	10,097,930	—	10,144,000	—	56,106,413	76,348,343
Special Purpose Accounts	165,961,816	—	—	—	—	165,961,816
Pension Funds	68,218,434	—	—	—	—	68,218,434
Debt Service - City	—	—	220,000,242	—	—	220,000,242
Debt Service - Schools	—	—	20,556,484	—	—	20,556,484
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	15,000,000	—	—	—	15,000,000
Parking	—	—	2,822,454	—	26,665,709	29,488,163
Grant and Aid Fund	—	78,370,351	—	—	—	78,370,351
Special Capital Projects	—	—	—	15,825,000	—	15,825,000
Economic Development	—	7,142,523	—	—	—	7,142,523
Fringe Benefit Offset ⁽¹⁾	(124,461,875)	—	—	—	—	(124,461,875)
Grand Total	<u>\$671,840,606</u>	<u>\$100,512,874</u>	<u>\$258,662,815</u>	<u>\$125,849,979</u>	<u>\$202,432,962</u>	<u>\$1,359,299,236</u>

⁽¹⁾For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 2004 THROUGH 2008
(Thousands of Dollars)

<u>Revenues:</u>	2004	2005	2006	2007 ⁽¹⁾	2008
Property Taxes	129,120	135,610	141,102	137,253	141,573
Other Taxes	3,563	3,709	5,202	5,311	4,839
Licenses and Permits	11,530	13,374	13,729	13,704	12,918
Intergovernmental	273,865	272,875	272,417	272,539	271,100
Charges for Services	60,825	63,410	73,528	76,496	86,410
Fines and Forfeitures	5,647	5,893	5,541	5,800	5,277
Other	8,108	12,179	17,353	18,883	12,864
TOTAL GENERAL FUND REVENUES	492,658	507,050	528,872	529,986	534,981
Tax Stabilization Fund Withdrawals	16,870	16,621	16,328	23,175	29,457
Other Financing Sources and Equity					
Transfers (Net)	34,913	39,444	37,761	43,224	44,466
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	544,441	563,115	582,961	596,385	608,904
<u>Expenditures:</u>					
General Government	179,542	180,590	178,004	201,021	199,004
Public Safety	231,371	248,366	250,672	257,137	266,370
Public Works	89,562	89,180	86,482	93,956	103,149
Health	10,724	10,656	10,428	10,359	10,118
Culture and Recreation	17,822	16,744	17,882	17,548	16,782
Conservation and Development	3,495	2,767	3,217	3,279	3,456
TOTAL EXPENDITURES	532,516	548,303	546,685	583,300	598,879
SOURCES OVER (UNDER) EXPENDITURES	11,925	14,812	36,276	13,085	10,025
Fund Balance - January 1 (excludes reserved for use during the year)	75,111	70,415	68,899	82,000	61,396
Fund Balance - December 31	87,036	85,227	105,175	95,085	71,421
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	30,288	16,382	15,616	21,376	22,865
Reserved for Inventory	5,684	5,095	6,886	6,252	7,248
Reserved for Mortgage Trust	282	297	280	218	173
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	16,621	16,328	23,175	29,457	22,379
Reserved for Subsequent Years' Budget	33,858	46,822	58,915	37,479	18,453
TOTAL FUND BALANCE	87,036	85,227	105,175	95,085	71,421

⁽¹⁾ In 2007, balances presented on a Budget Basis do not match balances presented on a Generally Accepted Accounting Principles ("GAAP") basis due to borrowing for certain expenditures authorized in the current fiscal year but not completed until the subsequent fiscal year. Budget Basis recognizes the revenues and expenditures in the same fiscal year, whereas GAAP does not recognize the revenues until the year the borrowing actually occurs. On a GAAP basis, the balances for "Reserve for Subsequent Years' Budget" and "Total Fund Balance" in 2007 were \$33,247 and \$90,853, respectively.

CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS

	Year 2004 For 2005 Purposes	Year 2005 For 2006 Purposes	Year 2006 For 2007 Purposes	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes
Real Property					
Residential	\$14,301,661,916	\$16,093,549,640	\$18,211,503,605	\$18,753,914,925	\$19,173,232,823
Industrial (Manufacturing)	733,599,500	721,966,100	740,265,100	726,692,200	772,959,900
Mercantile (Commercial)	6,903,490,064	7,566,086,684	8,498,282,646	8,950,205,395	9,483,547,328
Total Real Property	\$21,938,751,480	\$24,381,602,424	\$27,450,051,351	\$28,430,812,520	\$29,429,740,051
Personal Property	833,668,020	830,118,862	904,900,490	943,560,442	1,001,936,153
Total Assessed Valuations	\$22,772,419,500	\$25,211,721,286	\$28,354,951,841	\$29,374,372,962	\$30,431,676,204
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$23,491,773,700	\$26,256,713,800	\$30,226,985,500	\$31,887,192,100	\$32,257,525,000
Ratio of Assessed to Equalized Valuation	96.94%	96.02%	93.81%	92.12%	94.34%

CITY OF MILWAUKEE
ASSESSED TAX RATES
(PER \$1,000 OF ASSESSED VALUATION)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Unit of Government					
City Government	\$9.19	\$8.75	\$7.99	\$8.01	\$8.09
Milwaukee Public Schools	9.40	8.79	8.04	8.84	9.82
Milwaukee County	4.91	4.63	4.37	4.41	4.38
Milwaukee Area Technical College	2.00	1.96	1.89	1.92	1.94
Milwaukee Metropolitan Sewerage District	1.59	1.48	1.39	1.39	1.37
Gross Tax Rate Per \$1,000	27.09	25.61	23.68	24.57	25.60
Less: State Tax Credit	(\$1.23)	(\$1.11)	(\$1.27)	(\$1.43)	(\$1.57)
Net Tax Rate	<u>\$25.86</u>	<u>\$24.50</u>	<u>\$22.41</u>	<u>\$23.14</u>	<u>\$24.03</u>

CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
(\$ Amounts in Thousands)

Budget	<u>Taxes Levied for the Fiscal Year</u>			<u>Cumulative Collected in Subsequent Years</u>	
<u>Year</u>	<u>Levy</u>	<u>Collections</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% Collected</u>
2004	\$240,643	\$235,012	97.66%	\$5,319	99.87%
2005	248,267	242,587	97.71	5,111	99.77
2006	261,685	255,818	97.76	5,184	99.74
2007	265,319	257,350	97.00	5,709	99.15
2008	286,180	277,119	96.83	0	96.83

COLLECTION PROCEDURES

If no payment of property taxes is received in January, the taxes become delinquent as of February 1st. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 15th.

A letter is mailed to the taxpayer shortly after February 1st, telling of the delinquency and suggesting partial payments if full payment cannot be made. As directed by Chapter 74 of the Wisconsin Statutes interest at the rate of 1 percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

Taxpayers are given every opportunity to pay their delinquent taxes and satisfactory agreements are arranged to bring this about. If a property owner continues to remain delinquent and the Treasurer's Office is unable to reach an arrangement by which the owner will pay the taxes, the Treasurer's Office starts foreclosure proceedings. The City enforces its own delinquent tax collections.

Taxes are foreclosed under Section 75.521 of the Wisconsin Statutes which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at this historically high level. Current collections for 2008 were approximately 96.8 percent of the total tax levied.

INSURANCE

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City does carry a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City is established pursuant to Section 36 of the Milwaukee City Charter.

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals 11,737 active and 4,147 vested, inactive members at December 31, 2007. There were 10,984 retirees and beneficiaries receiving benefits as of December 31, 2007.

Funding of the System, a defined benefit plan, is derived from employee and employer contributions. Current employee contributions to the System are based on a percentage of compensation as follows:

General Municipal ⁽¹⁾	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

⁽¹⁾ Including non-certified School Board, Milwaukee Area Technical College, and all Milwaukee Metropolitan Sewerage District and Wisconsin Center District employees.

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions, which are actuarially determined based upon normal cost and amortization of past service liability. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2008, required member contributions totaled \$33.9 million and required employer contributions totaled zero dollars. As of December 31, 2008, Net Assets Held in Trust for Pension Benefits totaled \$3.4 billion, compared to \$5.2 billion on December 31, 2007. This decrease is primarily due to relatively unfavorable conditions in most of the financial markets during 2008. Total Assets Under Management as of September 30, 2009 were \$3.9 billion.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five (5) years for the purpose of reviewing assumptions. The last actuarial study was completed by Buck Consultants covering experience from January 1, 2002 to December 31, 2006.

The latest actuarial valuation was as of January 1, 2009 and showed an Accrued Liability of \$4.113 billion, Market Value of Assets of \$3.400 billion, and a Funded Ratio Based on Market Value of Assets of 82.7%. On January 1, 2008, the amounts were \$3.958 billion, \$5.232 billion, and 132.2%, respectively.

The Governmental Accounting Standards Board ("GASB") Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$5.192 billion as of January 1, 2008 and an Actuarial Accrued Liability of \$3.958 billion as of that date. This results in a Funded Ratio of 131.2%.

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to entrants and widows, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990, in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board and the Firemen's Annuity and Benefits Fund ceased to exist. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

As of January 3, 2006, the Policemen's Annuity and Benefit Fund board has been dissolved and the Fund is being administered by the Employees' Retirement System.

OTHER POST-EMPLOYMENT BENEFITS

According to the City's Comprehensive Annual Financial Report ("CAFR"), the Governmental Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions effective for fiscal year 2007. This Statement requires the City to account for and report the value of its future other post-employment benefits ("OPEB") obligation currently rather than on a pay-as-you-go basis. The actuarially required contribution ("ARC") is \$73.1 million. The City's total annual OPEB pay-as-you-go obligation is \$32.9 million which increases the net OPEB obligation for 2008 at \$340.2 million. Please see the CAFR at www.milwaukee.gov for more information.

MILWAUKEE PUBLIC SCHOOLS

GENERAL

Milwaukee Public Schools (“MPS”) was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS is effectively treated by state statutes as a City department. MPS is governed by the Milwaukee Board of School Directors (the “MBSD”). MPS has budget adoption authority (the City must then levy and collect a tax to support the MBSD budget). MPS provides elementary, secondary, vocational and special education services for grades K through 12 to residents of the City, whose boundaries are coterminous with those of the MPS. All funds for MPS flow through the City Treasurer who, by statute, disburses them at the direction of the Director/Board Clerk of MBSD. The City Comptroller, City Treasurer and City Attorney perform their respective functions for MPS as well as the City.

BORROWING – GENERAL OBLIGATION DEBT

MPS does not have authority to issue debt. The City has the authority (under Chapters 67, 119, and 120, Wisconsin Statutes) to issue municipal obligations for specific school purposes including the acquisition of sites and constructing, enlarging and remodeling of school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. The table below shows the City’s outstanding general obligation debt for school purposes of \$96,220,138. The City also has authorized but unissued general obligation debt for school purposes. (See “MILWAUKEE PUBLIC SCHOOLS - Borrowing - Future Financing” herein.)

CITY OF MILWAUKEE OUTSTANDING GENERAL OBLIGATION DEBT FOR SCHOOL PURPOSES AS OF DECEMBER 17, 2009

Period Ending	Principal	Interest ⁽¹⁾	Total
12/31/2010	\$10,247,216	\$3,900,594	\$14,147,810
12/31/2011	9,857,425	3,394,887	13,252,312
12/31/2012	8,730,443	2,926,371	11,656,814
12/31/2013	8,107,139	2,494,947	10,602,086
12/31/2014	8,623,336	2,915,598	11,538,934
12/31/2015	8,065,878	3,130,979	11,196,856
12/31/2016	9,780,430	2,696,740	12,477,170
12/31/2017	7,863,391	2,962,810	10,826,201
12/31/2018	6,713,637	2,544,622	9,258,260
12/31/2019	6,372,344	3,038,897	9,411,241
12/31/2020	5,512,988	3,168,011	8,680,999
12/31/2021	1,929,814	2,841,335	4,771,149
12/31/2022	2,180,671	3,678,554	5,859,224
12/31/2023	1,965,427	3,511,589	5,477,016
12/31/2024	270,000	6,750	276,750
	\$96,220,138	\$43,212,686	\$139,432,824

⁽¹⁾ Compound interest is included in year paid.

BORROWING-REVENUE BONDS

The following sections provide information on outstanding revenue obligations issued by the Redevelopment Authority of the City of Milwaukee ("RACM") for school purposes.

Neighborhood Schools Initiative

In February 2002, RACM issued \$33,300,000 of its Revenue Bonds, Series 2002A (the "2002A Bonds") and in November 2003, RACM issued \$78,740,000 of its Revenue Bonds, Series 2003A (the "2003A Bonds") (Milwaukee Public Schools – Neighborhood Schools Initiative) (collectively, the "NSI Revenue Bonds"). RACM loaned the proceeds of the NSI Revenue Bonds to MPS to partially finance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MPS schools, to implement the Neighborhood Schools Initiative and for related activities of MPS. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the NSI Revenue Bonds. MPS's repayment obligation is payable solely from and secured by a pledge of all intra-district aid received by MPS from the State.

In February 2007, RACM issued \$31,865,000 of Refunding Revenue Bonds, Series 2007A which advance refunded a portion of the 2003A Bonds.

The schedule of remaining debt service payments on the NSI Revenue Bonds is as follows:

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY REVENUE BONDS
ANNUAL DEBT SERVICE PAYMENTS AS OF DECEMBER 17, 2009**

Year ending June 30	Debt Service Payments	Year ending June 30	Debt Service Payments	Year ending June 30	Debt Service Payments
2010	\$8,189,253	2015	\$9,144,649	2020	\$10,343,094
2011	8,266,676	2016	9,376,675	2021	10,126,549
2012	8,474,868	2017	9,606,995	2022	10,391,138
2013	8,705,504	2018	9,848,206	2023	10,650,500
2014	8,922,258	2019	10,094,129	2024	11,097,600

Lease Revenue Bonds

The lease revenue bonds do not constitute general obligations of MPS or the City and shall not constitute or give rise to a charge against the City's taxing powers. MPS does, however, have an obligation to pay rents under a lease to support the debt service on the lease revenue bonds. Under the lease, the annual rent payments constitute a budgeted expenditure of MPS payable only if funds are budgeted and appropriated annually by the MPS from its School Operations Fund. MPS's obligations under the lease may be terminated on an annual basis by MPS if MPS fails to budget and appropriate for lease payments.

In November 1990, RACM issued \$47,730,866 of revenue bonds (the "1990 Bonds") on behalf of the Wisconsin Preservation Fund, Inc. to acquire and renovate several facilities for lease and occupancy by MPS which is utilizing the facilities as middle schools, K-8 elementary schools and various common facilities related to public education. RACM subsequently issued \$39,415,000 Development Revenue Refunding Bonds, dated April 15, 1993 (the "1993 Bonds") to advance refund certain maturities of the 1990 Bonds.

In May 2003, RACM issued \$34,475,000 Development Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds") on behalf of MPS to refund the 1993 Bonds. The schedule of lease payments after taking into account the 2003 financing is as follows:

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
DEVELOPMENT REVENUE REFUNDING BONDS
(2430 West Wisconsin Avenue Project and 1600 North Martin Luther King Drive Project)
ANNUAL LEASE PAYMENTS AS OF DECEMBER 17, 2009

Year Ending <u>June 30</u>	Lease <u>Payments</u>	Year Ending <u>June 30</u>	Lease <u>Payments</u>
2010	\$3,908,763	2013	\$3,908,475
2011	3,909,313	2014	3,910,900
2012	3,908,325		

In November 2005 the RACM issued \$12,415,000 Redevelopment Lease Revenue Bonds, Series 2005A (the “Series 2005A Bonds”) on behalf of MPS to pay certain costs in connection with constructing additions and making improvements to three public schools of the City of Milwaukee, Congress Extended Year-Round Elementary School (“Congress”), Craig Montessori School (“Craig”) and La Escuela Fratney (“Fratney”). The schedule of lease payments is as follows:

Fiscal Year	Principal	Interest	Total
2010	\$495,000	\$492,923	\$987,923
2011	515,000	475,366	990,366
2012	530,000	456,420	986,420
2013	550,000	436,028	986,028
2014	575,000	413,940	988,940
2015	595,000	390,243	985,243
2016	620,000	365,180	985,180
2017	645,000	338,609	983,609
2018	675,000	310,221	985,221
2019	705,000	280,030	985,030
2020	735,000	248,166	983,166
2021	770,000	214,488	984,488
2022	805,000	178,648	983,648
2023	845,000	140,698	985,698
2024	880,000	101,683	981,683
2025	925,000	61,521	986,521
2026	920,000	20,470	940,470
	<u>\$11,785,000</u>	<u>\$4,924,634</u>	<u>\$16,709,634</u>

Pension Obligation Bonds

In December, 2003, RACM issued its \$146,569,122 Taxable Pension Funding Bonds, 2003 Series C and 2003 Series D (Milwaukee Public Schools) (the "Pension Bonds"). RACM loaned the proceeds of the Pension Bonds to MPS, which, together with the proceeds of a general obligation note issue issued by the City, was used to retire MPS's unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the Pension Bonds, subject to annual appropriation. MPS's repayment obligation is payable solely from and secured by a pledge of monies in the School Operations Fund. MPS has also pledged certain State Aid payments received by MPS from the State of Wisconsin to secure the payment of debt service.

The 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. Interest Rate Exchange Agreements covering \$70,850,000 of 2003 Series D Pension Bonds (the "Agreements") are with Lehman Brothers Special Financing Inc, which filed for bankruptcy in October, 2008. At the time of the bankruptcy filing, the Agreements had a negative value of approximately \$8,000,000 to MPS (MPS would have to pay Lehman to terminate the Agreements). On November 1, 2009, the Agreements had a negative value of approximately \$14.7 million. No payments have been due from Lehman since the bankruptcy filing. MPS and the City are working to replace the Agreements with a new counterparty at no net cost to the MPS or the City. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, is as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
TAXABLE PENSION FUNDING BONDS
(Milwaukee Public Schools)
ANNUAL LOAN PAYMENTS AS OF DECEMBER 17, 2009**

<u>Year Ending</u> <u>June 30</u>	<u>Loan</u> <u>Payments</u>	<u>Year Ending</u> <u>June 30</u>	<u>Loan</u> <u>Payments</u>	<u>Year Ending</u> <u>June 30</u>	<u>Loan</u> <u>Payments</u>
2010	\$7,340,685	2022	\$7,340,685	2034	\$17,890,228
2011	7,340,685	2023	7,340,685	2035	18,804,603
2012	7,340,685	2024	13,590,685	2036	19,353,978
2013	7,340,685	2025	13,315,060	2037	19,673,353
2014	7,340,685	2026	14,420,228	2038	20,530,533
2015	7,340,685	2027	14,239,603	2039	20,957,713
2016	7,340,685	2028	15,298,978	2040	21,784,893
2017	7,340,685	2029	15,743,353	2041	8,787,073
2018	7,340,685	2030	15,707,728	2042	7,239,253
2019	7,340,685	2031	16,707,103	2043	6,891,433
2020	7,340,685	2032	16,766,478	2044	6,296,806
2021	7,340,685	2033	17,725,853		

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into a \$8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, respectively, MPS entered into a \$4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and \$2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project). In December 2005, MPS entered into a \$2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a \$1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools. MPS entered into QZAB Agreements with each Investor, under which MPS makes annual impoundment payments which are subject to annual appropriation by MPS. The schedule of total remaining impoundment payments is as follows:

<u>December 1</u>	<u>Payment Amount</u>
2010	\$593,441
2011	593,441
2012	329,625
2013	103,298

BORROWING – FUTURE FINANCING

The City has \$5,950,000 of authorized, but unissued, general obligation borrowing authority for school purposes. The 2009-2010 MPS budget includes \$53,069,187 of Qualified School Construction Bonds and \$2,000,000 of traditional borrowing.

BOARD OF SCHOOL DIRECTORS

MPS is governed by a nine member Board of Directors (“MBSD”). Eight Directors represent and are elected by Districts from within a total population of approximately 590,870. One member is elected at-large. Directors serve staggered four year terms which expire in April, and annually, at its organizational meeting, elect a president. The current members and the years in which their terms of office expire are as follows:

Michael Bonds, President	(2011)	Tim Petersons	(2011)
Peter Thomas Blewett, Vice President	(2013)	Jeff Spence	(2011)
Terrence Falk	(2011)	Annie Woodward	(2013)
Larry Miller	(2013)	David Voeltner	(2013)
Bruce Thompson, Member At-Large	(2011)		

The City Officials who serve in identical capacities for MPS, and the year in which their terms of office expire are as follows:

W. Martin Morics	Comptroller	(2012)
Grant F. Langley	Attorney	(2012)
Wayne F. Whittow	Treasurer	(2012)

PUBLIC SERVICES AND FACILITIES

In the 2009-2010 school year, MPS has approximately 84,444 full-time students and 5,766 teachers, attending 198 school programs within approximately 157 school buildings. The average age of the MPS buildings is just over 50 years, however, significant investment was made in upgrading many of these buildings in the 1970’s and 1980’s.

The purpose and responsibility of MPS is to provide an efficient educational system for children enrolled in the public schools, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to the regular educational programs, MPS offers comprehensive programs in the areas of vocational education, special education, and bilingual education. Through its specialty school programs, MPS offers advanced educational programs in such areas as fine arts, computer science, health professions, business, and technical trades. In addition, MPS provides community recreation and education services through its parks and centers for the elderly.

The following schools closed effective June 2009:

- Metropolitan High School (Facility will be occupied by Alliance)
- Carleton Elementary
- Milwaukee Academy of Aviation, Science, and Technology. The aviation program will be moved to Lynde & Harry Bradley Technology and Trade School in the 2009-2010 school year.
- Truth Institute (Instrumentality charter contract terminated).
- Lee School's facility is closing and Lee is merging with Wheatley for the 2009-2010 school year.
- The MEC Campus facility is closing (227 W. Pleasant St.). The middle school program of MEC, the Milwaukee Education Center, will relocate to the Andrew Douglas Campus at 3620 N. 18th St. The Downtown Institute of Arts and Letters (DIAL High School), which was also located at that building for the school year 2008-09, will also relocate to the Andrew Douglas Campus.
- Sarah Scott School closed in June, 2008. The Milwaukee Business High School occupied the building at 1017 N. 12th St. for school year 2008-09. The instrumentality charter for Milwaukee Business High School has been terminated. The business program will be added to Vincent High School in the 2009-2010 school year. The building at 1017 N. 12th St. closed in June, 2009. Community High School and Work Institute, which were also located in that building for school year 2008-09, will be relocated to the Juneau High School campus and the Andrew Douglas Campus, respectively.

The non-instrumentality charter contacts between MPS and the following non-instrumentality charters end as of June 2009:

- Preparatory School for Global Leadership
- CITIES Project High School
- Bruce Guadalupe Community School
- Milwaukee Leadership Training Center
- V. E. Carter School of Excellence

All of MPS has been accredited by the North Central Association of Colleges and Schools.

ENROLLMENT

<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>	<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>
1997-1998	102,914	2003-2004	98,323
1998-1999	102,097	2004-2005	96,874
1999-2000	100,682	2005-2006	94,975
2000-2001	99,332	2006-2007	92,226
2001-2002	99,025	2007-2008	89,113
2002-2003	99,054	2008-2009	87,140

⁽¹⁾ Kindergarten 1/2 day membership converted to full day equivalents.

EMPLOYEE RELATIONS

In September 2007 the MBSD and the Milwaukee Teacher's Education Association (the "Union") reached agreement on the teacher contract for the period July 1, 2007 through June 30, 2009.

In December 2008, the MBSD and the Administrators and Supervisors Council (ASC) reached agreement on their contract for the period July 1, 2007 thru June 30, 2009.

In March 2009, the MBSD and the Milwaukee Teacher's Education Association (the "Union") reached agreement on the substitute teacher contract for the period July 1, 2007 thru June 30, 2009.

In May 2009, the MBSD and the Milwaukee Teacher's Education Association (the "Union") reached agreement on the educational assistant contract for the period January 1, 2007 thru December 31, 2008.

In September 2008, the MBSD and the Milwaukee Teacher's Education Association (the "Union") reached agreement on the school accountant/bookkeeper contract for the period January 1, 2007 thru December 31, 2008.

On June 30th, 2009, the MBSD and Local 1053 reached an agreement on the clerical contract for the period July 1, 2006 thru June 30, 2008.

All expired contracts are currently in negotiations.

FINANCIAL INFORMATION

MPS has full control of all expenditures and revenues required to operate the school district. Section 119.46 of the Wisconsin Statutes requires MPS to transmit to the City a budget to operate, maintain, equip and improve the schools. The City's Common Council must levy and collect property taxes equal to the amount of money budgeted by MPS. All taxes so collected and all other funds received by MPS for these purposes are deposited to accounts of the School District.

INSURANCE

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance, and excess liability insurance. The District assumes a \$250,000 self – insured retention for any one loss or occurrence under its self-insured general liability program. The District purchases excess liability insurance for its general liability that provides per occurrence and aggregate protection. The District is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance. In addition, Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officers, officials, or employees for acts done within the scope of their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

MPS is self-insured for health, dental, and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of \$39,465,203 recorded in the School Operations Fund and \$6,566,505 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2008.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds, including the related Principal Strips and the Tax Credit Certificates/Strips. All such obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds (including the related Principal Strips and the Tax Credit Certificates/Strips) under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Bonds (including the related Principal Strips and the Tax Credit Certificates/Strips) deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds (including the related Principal Strips and the Tax Credit Certificates/Strips) may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds (including the related Principal Strips and the Tax Credit Certificates/Strips) within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds (including the related Principal Strips and the Tax Credit Certificates/Strips) will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository at any time by giving reasonable notice to City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE BONDS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

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LEGAL MATTERS

The City, its boards, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City does not carry a blanket policy of insurance against tort liability. In addition, Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on March 17, 2009.

Kaye v. City of Milwaukee, et al. Kaye, a real estate developer, brought this case against the City, its Redevelopment Authority, other agencies, City and Redevelopment officials and employees under the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. §946.80, et. seq.

Kaye's complaint alleges he attempted to bid on certain real property then owned by the City and located at 1152-1158 Kane Place. His bid was not considered, because the property had been "promised" to Ms. Kohler, who was then Vice Chair of the City Planning Commission. He claims that the City, and specifically the Redevelopment Authority, made special exceptions to bid, sale, zoning and other requirements for Ms. Kohler due to her status as a public official. Specifically, he alleges that Ms. Kohler, in her capacity as Vice Chair of the City Planning Commission, agreed with Mr. Fowler, then a Redevelopment Authority Commissioner, to "swap" the Kane Place property for another parcel of property located at 2951-2965 N. Humboldt Avenue. As a quid pro quo for Mr. Fowler approving the Redevelopment Authority's sale of the Kane Street property to Ms. Kohler, she, through the City Planning Commission, approved the sale of the Humboldt Avenue property to Alterra Coffee Roasters, Inc., a company in which Mr. Fowler is a principal shareholder.

Kaye further alleges that, around this same time, Alderman D'Amato, the East Village Association, Inc. ("EVA"), and certain private citizens, including Ms. Kohler, were seeking enactment of an ordinance that would establish a "Conservation District Overlay" over a portion of the Third Aldermanic District. The conservation district would limit the types of real estate development that could occur therein. The conservation district was opposed by the plaintiff and others. As part of their opposition efforts, Kaye and others became members of the EVA and sought to elect their own slate of directors. He alleges that Alderman D'Amato, Ms. Kohler, and the then-officers of EVA engaged in a fraudulent scheme to manipulate the EVA election in order to retain control of the board from opponents of the conservation district. He alleges that the opposition members were permitted to believe that the election would be conducted by a simple majority vote. At the time of the election, however, the opposition members were informed for the first time that a new voting method, a variant of cumulative voting that emphasized voting coalitions, would be used. The existing officers and directors of the EVA, along with Alderman D'Amato and Ms. Kohler, were able to organize a voting coalition, including by means of e-mail, which plaintiff alleges to have been an act of wire fraud. The opposition members, surprised by the change in voting method, could not organize in time and were unsuccessful in wresting control of the EVA board.

Kaye also alleges that citizens opposing the conservation district placed yard signs expressing that opposition in various places in the Third Aldermanic District. Plaintiff alleges that Alderman D'Amato (or one of his aides, the complaint conflicts itself on this point) removed such a sign from the property of Jill Bondar, one of the leaders of the opposition group. Kaye further alleges that Alderman D'Amato left Ms. Bondar a voice mail in which he implicitly threatened criminal prosecution for her conduct and that of other members of the opposition group in putting up the yard signs.

According to Kaye, the allegations plead predicate acts of racketeering sufficient to allege that the defendants violated both RICO, the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, et. seq. Plaintiff asserts claims under 18 U.S.C. §§ 1962(b), (c) and (d). Section 1962(b) makes it unlawful for any person to acquire or maintain any interest in or control of any "enterprise" through a "pattern of racketeering." Section 1962(c) makes it unlawful to conduct or participate in the affairs of an "enterprise" through a "pattern of racketeering." Section 1962(d) makes it unlawful to conspire to violate RICO. The complaint asks for over \$5,000,000 in compensatory and punitive damages.

The attorneys for the City and the other defendants moved to dismiss the complaint for failure to state a claim upon which relief can be granted, which was granted by the court. Mr. Kaye has appealed that decision to the United States Court of Appeals for the Seventh Circuit. The Court of Appeals sent the case back to the District Court to enter a final order.

The district court entered an order dismissing his case without prejudice and permitting Kaye 30 days to file an amended complaint. That order was signed on February 13, 2008. Kaye filed an amended complaint, which the court again dismissed. On January 13, 2009, Kaye filed an appeal. On February 3, 2009, the District Court entered an order against Kaye dismissing the appeal and awarding attorney's fees and expenses to Ms. Kohler, Mr. Fowler, Mr. D'Amato, and Mr. Ferguson pursuant to Fed. R. Civ. P. 11.

Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employees' Retirement System (ERS). This case is a clone of an earlier case that was filed and subsequently voluntarily dismissed. That case was brought by the Milwaukee Police Association ("MPA" represents police officers; the "MPSO" represents police supervisors.) The MPA case alleged that the ERS was prohibited by City Ordinance from spending more than \$3 million to purchase and install a computer information system. The suit alleged that the City was liable to pay any of those expenses in excess of \$3 million. It is estimated that the total cost of the ERS information system is approximately \$25 million. The dispute in the case was over the interpretation of a section of the City ordinance that transferred all administrative, operational, and investment expenses from the City to the ERS. This change was made as a part of a larger settlement of various disputes between the City and the MPA called the Global Pension Settlement. The MPA voluntarily dismissed the lawsuit earlier this year (2005). The MPSO has now filed this lawsuit making the same allegations. Another union, the Association of Law Enforcement Allied Services Personnel ("ALEASP") has joined this lawsuit as a plaintiff. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit. Discovery continues. The City is preparing a summary judgment motion to dismiss the case.

Frank Jude, Jr., et al. v. City of Milwaukee, et al. On October 24, 2004, Frank Jude, Jr. attended a party hosted by a Milwaukee police officer and attended by a number of other off-duty police officers. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason. He suffered severe injuries. The officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police officers were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty and on-duty officers involved in the matter were acting within the scope of their employment. Mr. Jude's complaint also alleges that the City is directly liable under a theory that the City violated his constitutional rights by, among other things, condoning a culture where officers were cavalier in their conduct.

The police chief fired most of the officers involved in the incident. The county prosecutor charged three of the off-duty officers with crimes, but in April, 2006, two were found not guilty and the jury could not reach a final verdict as to the battery charge against the third officer. The third officer was subsequently convicted in an unrelated case of making a bomb threat against his former police district station. The District Attorney decided not to retry the third officer on the battery charge. Federal authorities also reviewed the matter and indicted seven of the off-duty officers and one of the on-duty officers with federal civil rights crimes. The federal authorities entered into plea agreements with one of the on-duty officers and three of the off-duty officers. The officers agreed to plead guilty to civil rights violations and all of them but one to testify against the other officers in the government's case. The four remaining officers went to trial in July, 2007. Three of the officers were found guilty and one was acquitted.

Four lawsuits have been filed relative to this matter. Mr. Jude and his wife sued the City and several individuals relative to his beating. The City has settled with three other individuals who attended the party with Mr. Jude and alleged that they were unlawfully arrested and that excessive force was used. Mr. Jude is seeking more than \$25 million dollars in damages. The City has answered the suit and maintains that none of the individually named defendant officers, both on and off duty, were acting within the scope of their employment with regard to the subject events. The City has also denied all requests by the individual officer defendants for representation. Discovery has not yet begun, but a full discovery and litigation process is anticipated. The court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

LEGAL OPINION

The legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Bonds. The draft of the legal opinion for the Bonds are included herein as Appendix B. Certain legal matters will be passed on by Hurtado, S.C., Wauwatosa, Wisconsin, as disclosure counsel to the City. Certain legal matters will be passed upon for the City by its City Attorney.

RATINGS

The City has requested ratings on the Bonds from FITCH Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Group. FITCH Ratings has assigned a rating of "____" on the Bonds. Moody's Investors Service, Inc. has assigned a rating of "____" on the Bonds. Standard & Poor's Ratings Group has assigned a rating of "____" on the Bonds.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Bonds.

TAX MATTERS

The following discussion of Tax Matters was written to support the promotion and marketing of the Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

This section summarizes certain material federal income tax consequences relating to an investment in the Bonds, Tax Credit Strips or Principal Strips. The summary only addresses such consequences to initial purchasers of the Bonds, Tax Credit Strips or Principal Strips, and is based upon the current provisions of the Code, its legislative history, treasury regulations, administrative pronouncements and judicial decisions, all of which are subject to change, possibly with retroactive effect. This summary deals only with Bonds, Tax Credit Strips or Principal Strips, held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences of holders of Bonds, Tax Credit Strips or Principal Strips that may be relevant to investors in special tax situations (such as financial institutions, taxpayers subject to the alternative minimum tax, life insurance companies, tax-exempt organizations, dealers in securities or currencies, traders in securities that elect to mark to market, or Bonds, Tax Credit Strips or Principal Strips held as a hedge or as part of a hedging, straddle, constructive sale or conversion transaction). This summary does not purport to be a complete discussion of all federal income tax consequences relating to making an investment in the Bonds, Tax Credit Strips or Principal Strips. The discussion herein concerning certain tax consequences with respect to an investment in the Bonds, Tax Credit Strips or Principal Strips is included for general information only. All persons are urged to consult their own tax advisors to determine the specific tax consequences of making an investment in the Bonds, Tax Credit Strips or Principal Strips, including any state, local or non-U.S. tax consequences.

TAX CREDITS - IN GENERAL

In the opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Code. Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, as of the applicable credit allowance date (defined in Section 54A of the Code) are entitled, subject to the limitations of Code Section 54A, to a federal income tax credit. The amount of the Tax Credit will be treated as interest for federal tax purposes and will be included in gross income for all Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, in accordance with each Owner's tax status. **A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.**

The Code imposes various restrictions, conditions and requirements relating to the qualification of the Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the Bonds continue to qualify as qualified school construction bonds. Inaccuracy of these representations or failure to comply with these covenants may result in termination of the Tax Credit, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the availability of the Tax Credit with respect to, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that the Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Code, the ownership or disposition of, or the accrual or receipt of the Tax Credit with respect to, the Bonds may otherwise affect an Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may prevent Owners from realizing the full current benefit of the tax status of the Bonds. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds, the Tax Credit Strips or the Principal Strips. Prospective purchasers of the Bonds, the Tax Credit Strips or the Principal Strips should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. The legal authorities setting forth and interpreting Sections 54A and 54F of the Code are new and, in many areas, incomplete. The opinion of Bond Counsel is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Owners regarding the tax status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of the Bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, the Tax Credit Strips or the Principal Strips, and may cause the City or the Owners to incur significant expense.

AMOUNT OF TAX CREDIT

The amount of the Tax Credit with respect to a Bond is equal to the product of the published credit rate determined as of _____, 2009 (____%), times the outstanding face amount of the Bond on the relevant credit allowance date, divided by four. The credit allowance dates are March 15, June 15, September 15, and December 15. The Tax Credit allowed for the first credit allowance date of _____ is the ratable portion of the tax credit otherwise allowed on such date based on an initial issuance date of _____ (as opposed to the full credit period starting after _____). If a Bond or a Principal Strip is redeemed or matures on a date other than March 15, June 15, September 15, or December 15, the redemption or maturity date will be a credit allowance date and the amount of the associated Tax Credit will be a ratable portion of the tax credit otherwise allowed based on the earlier credit allowance date. Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, as of the applicable credit allowance date will receive the Tax Credit.

LIMITATION ON TAX CREDIT

The Tax Credit allowed may not exceed the sum of the taxpayer's regular tax liability and alternative minimum tax liability under Section 55 of the Code less, in general, the taxpayer's other tax credits (except refundable tax credits set forth in subparts C (Sections 31-37) and J (Section 54AA) of part IV of subchapter A of the Code). The Tax Credit is not considered a passive activity credit under Code Section 469(d), and therefore, such credit is not subject to the limitations with respect to passive activity credits.

CARRYOVER OF UNUSED TAX CREDIT AMOUNT

If an Owner of a Tax Credit Certificate, whether held as a Tax Credit Strip or as part of the Bond cannot use all of the Tax Credit otherwise allocable for the taxable year, such Owner is allowed to carry forward to the subsequent tax year the unused portion of the credit.

TAX CREDIT AMOUNT INCLUDED IN INCOME AS DEEMED INTEREST

Section 54A of the Code requires the Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, to include the amount of the Tax Credit (determined without reference to the limitation described above under "Limitation on Tax Credit") in gross income. It is expected that Treasury Regulations will provide that such amount must be treated as if it were a payment of "qualified stated interest" on each credit allowance date. Unless subject to the stripping rules described below, a cash method taxpayer would take the deemed interest payment into account on the credit allowance date, while an accrual method taxpayer would accrue such amount as income over the three month period that ends on the credit allowance date (or a shorter period for a short first or last credit allowance date). If such an accrual method Owner of a Tax Credit Certificate, whether held as a Tax Credit Strip or as part of a Bond, sells or exchanges such Tax Credit Certificate before any given credit allowance date, the Owner must accrue such interest income up to the date of the sale or exchange but would not qualify for any of the Tax Credit for such credit allowance date. It would appear that because the subsequent purchaser would obtain the full credit for that credit allowance date, the purchase price would reflect the accrual of the deemed interest amount. It would also appear that the receipt of such amount by the taxpayer primarily would constitute a return of capital (tax basis) and not be subject to additional (i.e., double) taxation to the taxpayer.

TAX CREDIT'S EFFECT ON ESTIMATED INCOME TAX PAYMENTS

The credit under Section 54A of the Code may be taken into account by a taxpayer in computing the amount of quarterly estimated tax payments required to be paid by such taxpayer. Individual calendar year taxpayers should note that the March 15 and December 15 credit allowance dates do not correspond to the regular estimated tax payment dates of April 15 and January 15.

TAX STATUS OF THE BONDS

The Bonds will be treated as debt instruments for federal income tax purposes. Accordingly, amounts treated as interest will be included in the income of the Owner as it is paid or deemed to be paid (or, if the Owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the Bonds that allocate a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a holder purchases the Bonds for an amount that is less than the principal amount of the Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

ORIGINAL ISSUE DISCOUNT

For federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4% of 1% of the Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a Bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such Bond). The issue price of a Bond equals the first price at which a substantial amount of such Bond has been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Bond is the sum of all payments provided by the Bond at maturity other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. It is expected that Treasury Regulations will provide that the amount of the Tax Credit must be treated as if it were a payment of "qualified stated interest" on each credit allowance date.

Payments (including deemed payments) of qualified stated interest on a Bond are taxable to an Owner as ordinary interest income at the time such payments are accrued or are received (in accordance with the Owner's regular method of tax accounting). An Owner of an original issue discount Bond must include OID in income as ordinary interest for United States federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such Owner's regular method of tax accounting. Under the OID rules, Owners generally will have to include in income increasingly greater amounts of OID in successive accrual periods. An Owner's adjusted basis in a Bond is to be increased by the amount of such accruing OID for purposes of determining taxable gain or loss on the sale or other disposition of a Bond, or a component thereof, for federal income tax purposes. Prospective investors should consult their own tax advisors concerning the calculation of OID with regard to a Bond.

TAX BASIS

An Owner's initial tax basis in a Bond generally will be equal to the purchase price paid by such Owner for such Bond. An Owner's tax basis in a Bond will be increased by the amount of OID, if any, that is included in the Owner's income, and decreased by the amount of premium, if any, amortized as a reduction to interest income, pursuant to the foregoing rules.

SALE OF BONDS

Upon the sale of a Bond, or a component thereof, for cash, an Owner will recognize gain or loss equal to the difference between the amount of cash received (other than cash attributable to accrued interest) and such owner's adjusted tax basis in the Bond, or component. Such gain or loss will be capital gain or loss if the Bond is a capital asset to such owner. Cash received attributable to accrued interest will constitute ordinary interest income to a cash method Owner, and a return of capital with respect to interest accrued as income by an accrual method Owner.

TAX CONSIDERATIONS APPLICABLE TO STRIPS

This summary of Tax Considerations Applicable to Strips is based upon existing law and interpretations thereof. Treasury regulations are expected to be adopted that will clarify the tax considerations applicable to Strips, but such regulations have not been issued or proposed as of the date hereof. Any Treasury regulations issued in the future may cause the tax consequences applicable to Strips to differ from those described herein, possibly on a retroactive basis. Bond Counsel assumes no responsibility for any such change as a result of the issuance of Treasury regulations or any future change in the law or interpretations thereof.

For purposes of this subsection ("Tax Considerations Applicable to Strips"), "Strip" means a Tax Credit Strip or a Principal Strip, and "U.S. Person" means a citizen or resident of the United States, a corporation organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is includible in gross income for United States tax purposes regardless of its source or a trust if a United States court is able to exercise primary supervision over administration of the trust and one or more U.S. Persons have authority to control all substantial decisions of the trust. The term "U.S. beneficial owner" means a U.S. Person that is a beneficial owner of a Strip and any other person which is a beneficial owner of a Strip that is otherwise subject to United States federal income taxation on a net basis in respect of income attributable to a Strip.

A U.S. beneficial owner is subject to United States federal income taxation on the income of a Strip, and there is no special exemption from United States federal income, estate or gift tax with respect to Strips.

A U.S. beneficial owner that elects to strip a Bond into its Tax Credit and Principal Components and to dispose of one or more of such components will be required to include in income all interest and market discount accrued on the Bond to the date of disposition (to the extent that such income has not previously been included in income), and the U.S. beneficial owner's basis in the Bond will be increased, immediately prior to the disposition of one of the Strips, by the amount so included in income. Upon the disposition of a Strip, the U.S. beneficial owner will be required to recognize gain or loss equal to the difference between the amount realized on the disposition of the Strip and the U.S. beneficial owner's basis in the Strip immediately prior to the disposition of one of the Strips. For purposes of determining that basis, the U.S. beneficial owner will be required to allocate its tax basis in the Bond immediately prior to the sale (as adjusted in the manner detailed above) between the Tax Credit and Principal Components based on their respective fair market values on the date of the sale.

A U.S. beneficial owner of a Strip will accrue income on the Strip in accordance with the OID rules set forth in the Code. In this regard, the application of the OID rules to the Strips is subject to significant uncertainty, and therefore purchasers of the Strips are urged to consult with their own tax advisors. Generally, however, it is anticipated that each U.S. beneficial owner of a Strip will be required to include in income, as OID, the difference between (1) the stated redemption price at maturity for a Principal Strip and the amount of the Tax Credit for a Tax Credit Strip owned by such person (which generally would include all payments (or deemed payments) to be made on the Strip subsequent to the date that the stripping was effected or, if later, the date of the U.S. beneficial owner's purchase of the Strip) and (2) the U.S. beneficial owner's purchase price for the Strip (or, in the case of a person who effects a stripping and, disposes of one or more of the Strips, the portion of the person's basis in the Bond which is allocable to the retained Strips, as determined pursuant to the rules set forth in the preceding paragraph).

The amount of OID on a Strip (determined as set forth above) will be includible on a constant-yield basis in the income of a U.S. beneficial owner of a Strip over the life of the Strip (excluding, with respect to certain U.S. beneficial owners, Strips having a maturity of one year or less from the date of purchase - which Strips would be subject to special OID rules which are discussed below), even in years in which the owner of the Strip does not receive any actual payment or credit allowance. The amount of OID that must be included in income each year by the U.S. beneficial owner of a Strip will be equal to the sum of the daily portions of the OID that accrued during each day of the year during which the U.S. beneficial owner owned the Strip. The daily portions will be determined by allocating to each day of the accrual period, as defined below, a pro rata

portion of an amount equal to the adjusted issue price of the Strip at the beginning of the accrual period, also as defined below, multiplied by the yield to maturity of the Strip, determined by compounding at the close of each accrual period and properly adjusted for the length of the accrual period. For purposes of these calculations, (i) the accrual periods may, generally, be of any length and may vary in length over the term of the Strip, provided that each accrual period is no longer than a year and that each scheduled payment of principal and deemed interest occurs either on the final day of an accrual period or on the first day of an accrual period, and (ii) the adjusted issue price of a Strip will be the U.S. beneficial owner's purchase price for the Strip (or, in the case of a person who effects a stripping and disposes of one or more of the Strips, the portion of the person's basis in the Bond which is allocable to the retained Strips, as determined pursuant to the rules set forth above), increased by the OID accrued by the U.S. beneficial owner in previous accrual periods and decreased by any payments received or deemed received by the U.S. beneficial owner in prior accrual periods. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable (or deemed payable) at the maturity of the Strip and (y) the Strip's adjusted price as of the beginning of the final accrual period. The foregoing rules will generally be applied to each Strip acquired separately. In certain circumstances, Strips acquired (or retained by the person stripping a Bond) may be treated as a single instrument for tax purposes.

In general, a cash basis U.S. beneficial owner who purchases a Strip the payment (or deemed payment) with respect to which is due not later than one year from the date of issuance ("short-term Strips") is not required to accrue OID (as determined under the special rule described below for the purposes of this paragraph) for United States federal income tax purposes unless it elects to do so. Accrual basis U.S. beneficial owners and certain other U.S. beneficial owners (including certain pass-through entities and electing cash basis U.S. beneficial owners) who purchase a short-term Strip and any U.S. beneficial owners who strip a Bond into its Tax Credit and Principal Components and who retain one or more such components are required to accrue OID on short-term Strips on either a straight-line basis or under the constant-yield method (based on daily compounding), at the election of the U.S. beneficial owner. In the case of a U.S. beneficial owner not required and not electing to include OID on a short-term Strip in income currently, any gain realized on the sale or retirement of the short-term Strip will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. beneficial owners who are not required and who do not elect to accrue OID on short-term Strips will be required to defer deductions for interest on borrowings allocable to short-term Strips in an amount not exceeding the deferred income until the deferred income is realized.

Upon the sale or exchange of a Strip, a U.S. beneficial owner generally will recognize capital gain or loss (except to the extent of accrued and unpaid interest, and subject to the exception applicable to certain short-term Strips, as discussed in the preceding paragraph) in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. beneficial owner's adjusted tax basis in the Strip. A U.S. beneficial owner's adjusted tax basis in a Strip will generally be its cost, increased by the amount of the OID included in the U.S. beneficial owner's income with respect to the Strip.

The City is selling the Bonds (and not Strips) to the Underwriters; it is possible, however, that the Underwriters may elect to strip the Bonds and sell Tax Credit and Principal Components (as well as Bonds) immediately upon their acceptance of the Bonds. Such Strips might be viewed, for United States federal income tax purposes, as OID bonds issued by the City to the purchasers of the Strips. If the IRS were to characterize the transaction in this fashion, the rules set forth above would generally apply to the Bonds stripped by the Underwriters, except that (1) the amount of OID on each Strip so sold would be measured, and the adjusted issue price would be determined, by reference to the first price at which a substantial amount of each Strip was sold, rather than by reference to the price paid by the purchaser for the Strip (not only in the case of an initial purchaser of the Strip, but also in the case of any transferee thereof) and (2) the stated redemption price at maturity would be determined by reference to all payments (or deemed payments) to be made on the Strip subsequent to the date of the closing relating to the Bonds offered hereby rather than by reference to the payments to be made subsequent to the U.S. beneficial owner's acquisition of the Strip. Each U.S. beneficial owner is urged to consult with its own tax advisor as to the likelihood of such a characterization, as well as to the application of the "acquisition premium" and "market discount" rules which would apply to those Bonds stripped by the Underwriters if the transaction were to be so characterized.

U.S. FEDERAL INFORMATION REPORTING AND BACKUP WITHHOLDING

Under current United States federal income tax law, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Bonds, Principal Strips or Tax Credit Strips. The IRS has not provided guidance regarding how the 28% backup withholding tax requirement will apply to the deemed interest payments represented by the Tax Credits. Therefore, it is not clear how or whether such withholding would occur. In addition, certain persons making such payments are required to submit information returns (i.e., IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information

reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

S CORPORATION AND PARTNERSHIP INVESTORS

In the case of a Bond that is held by an S corporation or partnership (including a limited liability company that is taxed as a partnership), the allocation of the Tax Credit to the shareholders of the S corporation or to the partners of the partnership, as the case may be, shall be treated as a distribution.

FOREIGN INVESTORS

Payments (including deemed payments) on the Bonds, Principal Strips or Tax Credit Strips to a non-U.S. holder that has no connection with the United States other than holding its Bond, Principal Strip or Tax Credit Strip generally will be made free of withholding tax, as long as the holder has complied with certain tax identification and certification requirements.

STATE INCOME TAX CONSEQUENCES

The interest, if any, on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Under present Wisconsin law, Owners of the Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Bonds, as of the applicable credit allowance date are not entitled to claim a credit against their Wisconsin income or franchise tax liability. Owners who claim a Tax Credit and are required to include the amount of such credit in gross income for federal income tax purposes are not required to include such amount in gross income for Wisconsin income or franchise tax purposes. Bond Counsel makes no representation regarding the income tax treatment of the Bonds, Principal Strips or Tax Credit Strips under the laws of any other state.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265 (b)(3) of the Code.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Commission”), pursuant to the Securities Exchange Act of 1934 (the “Rule”), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the “Undertaking”) for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access (“EMMA”) system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor has requested and the City has consented to the Financial Advisor submitting bids for the Bonds.

UNDERWRITING

The Bonds will be purchased at competitive bidding conducted on December 3, 2009.

The award of the Bonds was made to _____, _____, _____, its co-managers and associates.

The public reoffering yields of the Bonds are detailed on the inside front cover of the Final Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Bonds by the Underwriters thereof, the City will furnish to the Underwriters the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinions as to the legality of the Bonds under Wisconsin law and as to the [update] tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Bonds within seven business days after the award of the Bonds in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate;
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading; and
- (8) a statement to the effect that this Official Statement, rendered by Hurtado, S.C., Wauwatosa, Wisconsin, Disclosure Counsel, to the City, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading as set forth in Appendix I.

REPRESENTATIONS OF THE CITY

To the best of its knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Additional information may be obtained from the undersigned City Comptroller upon request.

W. Martin Morics, City Comptroller and Secretary
City of Milwaukee, Public Debt Commission
City Hall, Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-3321

/s/

W. Martin Morics, City Comptroller and Secretary
City of Milwaukee, Wisconsin

December__, 2009