PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 30, 2009

		Fitch	Moody's	Standard & Poor's
NEW ISSUE	**RATINGS**:			
BOOK ENTRY ONLY	(See "Ratings" herein.)	"AA+"	"Aa2"	"AA"

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 Code, and if a taxpayer holds a Bond on one or more "credit allowance dates" (as defined in Section 54A(e)(1) of the Code) occurring during any taxable year, there will be allowed as a credit against the federal income tax imposed on such taxpayer for the taxable year an amount equal to the sum of the credits determined under Section 54A of the Code with respect to such dates. If there is continuing compliance with the requirements of the Code, Bond Counsel are of the opinion that the Bonds will continue to be qualified school construction bonds. Failure to comply with such requirements could result in a loss to the owners of the Bonds of the tax credit provided under Section 54A of the Code with respect to the Bonds. Under existing law, interest and tax credits are not exempt from federal income taxation and interest on the Bonds is not exempt from Wisconsin income 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: December 15, 20__

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 Deutsche Bank National Trust Company, Chicago, Illinois (the "Fiscal Agent").

Owners of Tax Credit Certificates, held as part of the Bonds, on one or more credit allowance dates (as defined in Section 54A of the Code) will be entitled, and Owners of Tax Credit Certificates held as Tax Credit Strips on one or more credit allowance dates (as defined in Section 54A of the Code) are intended to 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 the 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 30, 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 10:00 A.M. (CENTRAL TIME) ON WEDNESDAY, DECEMBER 9, 2009

This is a Preliminary Official Statement, subject to correction and change. The City has authorized the distribution of the Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Offered Obligations, the City will complete, adopt and deliver a Final Official Statement substantially in this form.

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.

MATURITY SCHEDULE

BONDS:

Maturity Date*	Amount**	Credit Rate	Interest Rate	Price	CUSIP [(1)] Base (602366)
December 15, 2026	$48,000,000	____%	____%		

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

Principal Strip:

Maturity*	Principal Strip Amount**	Interest Rate	CUSIP[(1)] Base (602366)
December 15, 2026	$48,000,000	____%	

Tax Credit Strips:

Tax Credit Allowance Date*	Credit Amount	CUSIP [(1)] Base (602366)	Tax Credit Allowance Date*	Credit Amount	CUSIP [(1)] Base (602366)
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		
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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.

TABLE OF CONTENTS

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:	**Wednesday, December 9, 2009, Until 10:00 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:	Bond Counsel are of the opinion that, under existing law, the Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Code, and if a taxpayer holds a Bond on one or more "credit allowance dates" (as defined in Section 54A(e)(1) of the Code) occurring during any taxable year, there will be allowed as a credit against the federal income tax imposed on such taxpayer for the taxable year an amount equal to the sum of the credits determined under Section 54A of the Code with respect to such dates. If there is continuing compliance with the requirements of the Code, Bond Counsel are of the opinion that the Bonds will continue to be qualified school construction bonds. Failure to comply with such requirements could result in a loss to the owners of the Bonds of the tax credit provided under Section 54A of the Code with respect to the Bonds. Under existing law, interest and tax credits are not exempt from federal income taxation and interest on the Bonds is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).
Redemption Feature:	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).
Official Statement:	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.

Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
		Hurtado, S.C. Wauwatosa, Wisconsin
	Disclosure Counsel:	Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
	Fiscal Agent/Trustee:	Deutsche Bank National Trust Company Chicago, Illinois

Delivery:	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.
Reoffering:	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.
Continuing Disclosure Certificate:	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).

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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. Deutsche Bank National Trust Company, Chicago, Illinois 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 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 Deutsche Bank National Trust Company, Chicago, Illinois, 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 Tax Credit Certificates held 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") are intended to 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 the Bonds."

Section 54A(b)(1) and (2) of the Code provide that the amount of the tax credits determined with respect to any Tax 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 Tax 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 a Tax Credit Strip is redeemed on a date other than a Tax 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"). Subject to the disclosure below 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 the 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 OF THE 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 Participants’ 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.

December 15	Mandatory Sinking Fund Deposit
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, 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 as 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" herein.

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 584,000 *(preliminary estimate)* 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 Park District (the "SWPBP 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 SWPBP 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 SWPBP 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. Forty-eight percent 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

Year	Value	Permits Issued
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

	Single Family		Multi-Family		Total		Permits
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Issued
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

Year	Value	Permits Issued
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

Year	Value	Permits Issued
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

Year	Value	Permits Issued
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 Employment Estimates	Type of Business or Service
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
Froedert 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 Firstar 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.

**Represents estimated 2009 figures*

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)

Year	City of Milwaukee	Milwaukee - Waukesha Metropolitan Area	State of Wisconsin	United States
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)

Month	City of Milwaukee	Milwaukee - Waukesha Metropolitan Area	State of Wisconsin	United States
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)

2009 Equalized Value of Taxable Property in the City		$31,266,829,200
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,563,316,460
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)		$793,416,460*
(As a percentage)		50.8%*
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$625,326,584
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)		$610,552,434
(As a percentage)		97.6%

[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, with 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 Asses.	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	2,556
Total	$736,674,150 *(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 Sinking Fund*	Series 2009 M6 Interest (3)	Total Requirements After Issuance
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
	$981,673,026	$48,000,000	$8,160,000	$1,037,833,026

(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

Governmental Unit	Debt Outstanding As of December 17, 2009	Approximate Percentage Applicable	Milwaukee's Share of Debt As of December 17, 2009
City of Milwaukee [(1)]	$736,674,150	100.00%	$736,674,150
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	$2,417,410,531		$1,543,164,167

[(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 bondowners 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 TlDs, 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	164,628,850	—	70,605,810	1,764,320	0	236,998,980
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	484,833,256	100,512,874	188,057,005	19,540,300	170,946,962	963,890,397
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	$671,840,606	$100,512,874	$258,662,815	$125,849,979	$202,432,962	$1,359,299,236

[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	$671,840,606	$100,512,874	$258,662,815	$125,849,979	$202,432,962	$1,359,299,236

[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)

Revenues:	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
Expenditures:					
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)

Unit of Government	2005	2006	2007	2008	2009
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	$25.86	$24.50	$22.41	$23.14	$24.03

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

Budget	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
Year	Levy	Collections	% of Levy	Amount	% Collected
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 an 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

EMPLOYES' RETIREMENT SYSTEM

The Employes' 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 Employes' 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 June 30	Lease Payments	Year Ending June 30	Lease Payments
2010	$3,908,763	2013	$3,908,475
2011	3,909,313	2014	3,910,900
2012	3,908,325		

In November 2005, 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, Craig Montessori School and La Escuela 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
	$11,785,000	$4,924,634	$16,709,634

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 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

Year Ending June 30	Loan Payments	Year Ending June 30	Loan Payments	Year Ending June 30	Loan Payments
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:

December 1	Payment Amount
2010	$593,441
2011	329,625
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 584,000. 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 82,444 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 ended 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

School Year	Average School Daily Membership[(1)]	School Year	Average School Daily Membership[(1)]
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 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 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 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 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 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

LITIGATION STATEMENT-CITY OF MILWAUKEE

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 November 30, 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, and Mr. D'Amato pursuant to Fed. R. Civ. P. 11. Mr. Kaye appealed this order and that appeal is currently pending in the United States Court of Appeals for the Seventh Circuit.

Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employes' 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. On November 11, 2009, each defendant filed its motion for summary judgment. Hearing on the motions is scheduled for February 15, 2010.

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 were due December 1, 2009. On August 31, 2009, Mr. Jude filed an amended complaint adding Nicole (Martinez) Belmore as a defendant. Ms. Belmore was an on-duty officer who responded to the scene. Ms. Belmore was acting in the scope of her employment and has been provided outside counsel. No criminal conduct has ever been alleged with respect to her. Discovery, including expert testimony, has been extended through November 1, 2010 and dispositive motions are due December 31, 2010.

U.S. Oil v. City of Milwaukee. U.S. Oil has filed a new lawsuit against the City for refund of $914,000 plus interest of its 2006, 2007 and 2008 real estate taxes, raising different issues for those years. The City has done substantial preparation for this new case as a result of the original case.

Miscellaneous Challenges to City's Furlough Initiative. The Common Council approved a furlough program for 2009 under which most City employees were required to take two unpaid days off. Total savings associated with the two furlough days were approximately $1.5 million. Several unions have filed, or indicated an intent to file, legal challenges to the furlough program.

Chaunte Ott v. City of Milwaukee, et al. In this 2009 civil rights action filing, Ott claims that he was wrongly convicted in 1996 of the 1995 murder of a girl. Ott spent 13 years in prison until recent DNA testing linked the murder victim to another individual. Ott claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Ott also claims that supervisory individuals in the department permitted such alleged misconduct to occur as a matter of practice.

LITIGATION STATEMENT-MILWAUKEE PUBLIC SCHOOLS

MPS and its directors, 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. MPS does carry Commercial General Liability Insurance, Umbrella General Liability Insurance and School Teachers Error and Omissions Insurance. Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officer, officials or employees for acts performed in their official capacity to $50,000 in tort liability of non-automobile cases and $250,000 in automobile cases.

The City Attorney's Office has currently 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. Those which individually represent the maximum potential loss exposure in excess of $1 million which existed as of the date August 4, 2009 are summarized below.

Jamie S., et al. v. Milwaukee Bd. of Sch. Directors, Case No. 01-C-0298 (E.D. Wis.) (formerly known as Lamont A., et al. v. Milwaukee Bd. of Sch. Directors). This is a federal suit, pending in the U.S. District Court for the Eastern District of Wisconsin. It was filed by Disability Rights Wisconsin ("DRW") on behalf of a class of District special education students, alleging violations of the Individuals with Disabilities Education Act ("IDEA"), the Rehabilitation Act of 1973 ("Section 504") and Section 1983 of the Civil Rights Act of 1871 (42 U.S.C. §1983). The Plaintiffs allege that MPS violated the statutory and constitutional rights of the class members as a result of the District's delay in providing and/or failure to provide special education and related services to students protected under the referenced statutes. The Plaintiffs also brought claims against the State of Wisconsin, Department of Public Instruction ("DPI") alleging that the State of Wisconsin failed to properly monitor the District and enforce federal and state laws.

In May, 2003, the Court significantly narrowed the class of plaintiffs, dismissing some named plaintiffs and the unnamed class plaintiffs that had failed to exhaust administrative remedies for "post-determination claims" prior to commencing the federal court action. That decision was appealed to the Seventh Circuit Court of Appeals, which denied the appeal. The Court certified the class, which consists of those students eligible for special services who are, have been, or will be denied or delayed entry into the special education process that results in a properly constituted initial IEP meeting between the IEP team and the parents or guardians of the student.

On July 19, 2005, the Court determined that a trial was necessary to resolve the outstanding issues of fact and that only expert testimony would be heard at this trial. The Phase I trial was held and on November 28, 2005, the Court determined that it was necessary to proceed to Phase II, which would consist of the factual presentation upon which the experts formed their respective opinions. The Phase II trial was held and on September 11, 2007, the Court entered its Decision and Order, which found liability on behalf of both the District and DPI. Specifically, the Court concluded that the District committed systemic violations of the Child Find provisions of the IDEA, including failure to refer children with a suspected disability in a timely manner for an initial evaluation; improperly extending the 90 day time requirement; imposing suspensions in a manner that improperly impeded the ability to refer children with suspected disabilities for an initial evaluation; and failure to insure that the child's parents or guardians attend the initial evaluation. The Court concluded also that DPI violated the IDEA and related state statutes by failing to adequately discharge its oversight and supervisory obligations in regard to the compliance by MPS with the IDEA and related state statutes, as that compliance relates to the systemic violations found by the Court.

On October 12, 2007, the Plaintiffs filed a motion for attorneys' fees and costs. The Defendants filed a joint response brief arguing, among other things, that the Plaintiffs had not achieved prevailing party status under the IDEA and, thus, were unable to recover any fees or costs at this time.

On February 27, 2008, the Plaintiffs and DPI agreed to a settlement that would require DPI to enforce outcome standards for MPS regarding parental participation in initial IEP team meetings, timely completion of initial special education evaluations, and referral of regular education students with suspension histories or who have been retained to a system of early intervening services. DPI also agreed to hire an Independent Expert to oversee MPS' compliance with these standards and a parent/staff trainer to assist parents/guardians and District staff in understanding their rights and obligations under the IDEA. Finally, DPI agreed to pay DRW $475,000 for attorneys' fees and costs.

On May 1, 2008, MPS filed a motion objecting to the Plaintiffs' and DPI's proposed settlement agreement because, among other reasons, it infringed MPS' legal rights. On June 6, 2008, the Court granted preliminary approval of the proposed settlement agreement, finding that the District did not have standing to object to the settlement agreement. On July 28, 2008, the Court approved the settlement agreement after receiving no objections from class members.

Phase III of trial was conducted in November 2008. In response to MPS' proposed remedy, which states that the Department of Public Instruction will share the costs of any compensatory education ordered by the Court, DPI submitted a motion for a declaratory ruling that it is not legally responsible for the cost of any Court-ordered remedy. MPS filed a response, and the Court denied the motion.

On June 9, 2009, U.S. Magistrate Judge Aaron E. Goodstein issued his Decision and Order Following Phase III ("Phase III Order"). His decision ordered and outlined the components of a remedial system. The Phase III Order concluded that the appropriate remedy for the four areas of liability found in its September 11, 2007 Decision and Order requires MPS to conduct an individualized evaluation of current and former students to determine whether compensatory education services are appropriate for those potential class members who may or may not have been denied a free and appropriate education. The Court outlined a procedural framework to accomplish its goals which are briefly addressed below.

> Independent Monitor: The Court determined that an independent monitor with broad authority to determine class membership, promote parent participation in the process, and determine the nature of compensatory education was necessary to move the litigation to completion. No specific person is appointed, rather the parties are instructed to attempt to agree on a person prior to July 24, 2009 or, in the alternative, submit up to 2 suggestions for the Court to consider. MPS is responsible for any costs associated with the independent monitor.
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> Hybrid IEP Team: The Court concluded that the eligibility determinations for compensatory education should be made by a "Hybrid IEP team" made up exclusively of MPS employees. When circumstances require it, "rotating members" may be added to make decisions for a particular student. The permanent members must have diverse educational backgrounds and at least one member must be qualified to provide, or supervise specially designed instruction to meet the unique needs of children with disabilities.
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> Eligibility: Any person who responds to the class notification and meets the class definition may be eligible for compensatory education.
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> Notice: The parties are instructed to meet and agree on the contents of an individualized notice to be sent to readily identifiable class members and a general notice to be posted on MPS' website and in District buildings. The parties must also agree on a timeline for responding to the notice.
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> Status of Litigation: MPS filed its appeal on July 8, 2009, appealing the district court's decisions on class certification, liability and the remedy. It also appealed the district court's approval of the settlement between the Plaintiffs and DPI. On July 30, Plaintiffs filed a motion to dismiss MPS appeal, arguing the appeal was premature. On August 14, MPS filed its response to Plaintiffs' motion. On August 20, MPS filed a motion to stay the district court's June 9, 2009 order; which order would have required MPS to begin implementing the class remedy. On August 26, and before Plaintiffs filed their response to MPS motion, the Seventh Circuit granted the motion to stay the district court's June 9 order. The Court also ordered the parties to address Plaintiffs' arguments concerning the alleged prematurity of MPS's appeal in their briefs on the merits. MPS also moved the district court to stay two orders it issued on August 19. The August 19 orders appointed an independent monitor and outlined the procedures for class notification. Based on the Seventh Circuit's stay of the June 9 order, the district court granted a stay of the August 19 orders on August 27. MPS opening appeal brief was filed on October 26.

The same day the Seventh Circuit granted MPS motion to stay the district court's June 9 order, Plaintiffs moved the district court for an extension of time in which to file a cross-appeal in order to contest the class certification decisions. Without hearing from MPS, the court granted Plaintiffs' request. MPS immediately filed a motion for reconsideration, arguing that the Plaintiffs' request to file a late cross-appeal was not timely filed. After ordering the parties to brief the issue, the district court granted MPS' motion for reconsideration and denied Plaintiffs' request to file a late cross-appeal on September 8. Despite this, Plaintiffs filed a notice of appeal on September 11, alleging the court had jurisdiction over its appeal based on the district court's August 19 orders. MPS moved to dismiss Plaintiffs' appeal on September 24, 2009. Briefing on that motion is now complete. MPS's initial brief on the merits of its appeal has been moved back to November 25; however, additional time may be needed because no decision on the Plaintiffs' appeal has been made which, if allowed to proceed, would significantly alter the issues on appeal.

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 "AA+" on the Bonds. Moody's Investors Service, Inc. has assigned a rating of "Aa2" on the Bonds. Standard & Poor's Ratings Group has assigned a rating of "AA" 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

Federal Tax Credits

The following discussion of Federal Tax Credits 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.

Tax Opinion

In the opinion of Katten Muchin Rosenman LLP, Chicago, Illinois and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, under existing law, the Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Code, and if a taxpayer holds a Bond on one or more "credit allowance dates" (as defined in Section 54A(e)(1) of the Code) occurring during any taxable year, there will be allowed as a credit against the federal income tax imposed on such taxpayer for the taxable year an amount equal to the sum of the credits determined under Section 54A of the Code with respect to such dates. If there is continuing compliance with the requirements of the Code, Bond Counsel are of the opinion that the Bonds will continue to be qualified school construction bonds. Failure to comply with such requirements could result in the loss to the owners of the Bonds of the tax credit provided under Section 54A of the Code with respect to the Bonds. Under existing law, interest and tax credits are not exempt from federal income taxation and interest on the Bonds is not exempt from Wisconsin income taxes. A complete copy of the proposed form of opinions 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. In rendering the above-described opinion that the Bonds are qualified school construction bonds, Bond Counsel have relied upon certifications and representations of the City (i) with respect to certain material facts solely within the knowledge of City without undertaking to verify the same by independent investigation, and (ii) that the City has taken actions necessary for the Bonds to be qualified school construction bonds. In addition, Bond Counsel are assuming continuing compliance with the Covenants (as defined below) by the City, so that the Bonds will continue to be qualified school construction bonds. The City has covenanted in the Tax Compliance Agreement to comply with the provisions of the Code applicable to the Bonds including, among other things, requirements as to the use, expenditure and investment of the proceeds thereof, the use of the property financed or refinanced thereby, the arbitrage yield restrictions and rebate payment obligations (the "Covenants"). Failure by the City to comply with the Covenants could cause the Bonds to lose their status as qualified school construction bonds retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the Bonds from losing their status as qualified school construction bonds. The opinions of Bond Counsel assume the accuracy of these certifications and representations and compliance with these Covenants. Bond Counsel have 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 Counsels' 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 opinions of Bond Counsel are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel are of the opinion that the Bonds are qualified school construction bonds within the meaning of Section 54F of the Code, the Beneficial Ownership or disposition of, or the accrual or receipt of, the Tax Credit with respect to, the Bonds may otherwise affect a Beneficial 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 Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel express no opinion regarding any such other tax consequences.

The opinions of Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Bond Counsels' 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 opinions of Bond Counsel are not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and have 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.

Under regulations prescribed by the Secretary of the Treasury (the "Regulations"), there may be a separation of the Beneficial Ownership of all or any portion of a Bond and the entitlement to the related tax credit, subject to the limitations of Section 54A of the Code. No such regulations have yet been issued and until they are promulgated, there is no assurance that the Beneficial Owner of any Bond may successfully assign the related tax credits by converting the Bond into a Principal Strip Certificate and Tax Credit Certificate and selling one or the other. The City and Bond Counsel express no opinion as to, and accept no liability regarding, the utility of Tax Credits for any particular owner or subsequent purchaser of a Principal Strip Certificate or a Tax Credit Certificate, and prospective purchasers of Principal Strip Certificates or Tax Credit Certificates should consult with their own tax advisors concerning the purchase. Future legislative proposals, if enacted into law, clarification of the Code or court decisions may prevent Beneficial Owners of the Bonds and the Tax Credit Certificates 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 Certificates or the Principal Strip Certificates. Prospective purchasers of the Bonds, the Tax Credit Certificates or the Principal Strip Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

Bond Counsels' engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel are not obligated to defend the City or the Beneficial 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 its appointed counsel, including the Beneficial 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 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 Certificates or the Principal Strip Certificates, and may cause the City or the Beneficial 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 for the first date on which there was a binding written contract for the sale of the Bond ([__%]), times the outstanding principal amount of the Bond on the relevant Tax Credit Allowance Date, divided by four. The Tax Credit Allowance Dates are March 15, June 15, September 15, and December 15. The Tax Credit allowed for the first Tax Credit Allowance Date is March 15, 2010, based on an initial issuance date of December 22, 2009. If a Bond 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 Tax 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 Tax Credit Allowance Date. After issuance of the Regulations, it is expected that Beneficial Owners of Tax Credit Certificates, whether held as Tax Credit Certificates or as part of the Bonds, as of the applicable Tax 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 54A) 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 a Beneficial Owner of a Bond cannot use all of the Tax Credit otherwise allocable for the taxable year, such Beneficial Owner is allowed to carry forward to a subsequent tax year the unused portion of the Tax Credit deemed paid on the relevant Tax Credit Allowance Date. Similar treatment is expected for the Beneficial Owners of Tax Credit Certificates under the Regulations.

Tax Credit Amount Included in Income as Deemed Interest

Section 54A of the Code requires the Beneficial Owners of 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 Tax Credit Allowance Date. Unless subject to the stripping rules described in "TAX MATTERS-General Tax Matters", a Beneficial Owner using the cash method of accounting would take the deemed interest payment into account on the Tax Credit Allowance Date, while a Beneficial Owner using the accrual method of accounting would accrue such amount as income over the three month period that ends on the Tax Credit Allowance Date (or a shorter period for a short first or last Tax Credit Allowance Date). If such an accrual method Beneficial Owner of a Bond sells or exchanges such Bond before any given Tax Credit Allowance Date, the Beneficial 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 Tax Credit Allowance Date. It would appear that because the subsequent purchaser would obtain the full credit for that Tax 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 subsequent purchaser primarily would constitute a return of capital (tax basis) and not be subject to additional (i.e., double) taxation to the purchaser. See also "TAX MATTERS – General Tax Matters."

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.

State Income Tax Consequences

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

Under present Wisconsin law, owners or Beneficial 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 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 tax purposes. Bond Counsel make no representation regarding the income tax treatment of the Bonds, Principal Strips or Tax Credit Strips under the laws of any other state.

General Tax Matters

The following discussion 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 Certificates or Principal Strip Certificates. The summary only addresses such consequences to initial purchasers of the Bonds, Tax Credit Certificates or Principal Strip Certificates, 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 Certificates or Principal Strip Certificates, held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences of Beneficial Owners of Bonds, Tax Credit Certificates or Principal Strip Certificates, 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 Certificates or Principal Strip Certificates, 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 Certificates or Principal Strip Certificates. The discussion herein concerning certain tax consequences with respect to an investment in the Bonds, Tax Credit Certificates or Principal Strip Certificates is included for general information only, and with respect to the Tax Credit Certificates or Principal Strip Certificates is subject to issuance of the Regulations. 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 Certificates or Principal Strip Certificates, including any state, local or non-US. tax consequences.

Tax Status of the Bonds

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

Premium and Market Discount Considerations

Beneficial Owners of Bonds that purchased such Bonds at a price 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 Beneficial Owner acquires a Bond for less than the adjusted issue price of the Bond (the "adjusted issue price" being the initial price of the Bond to the public), then the Beneficial Owner will acquire the Bond with "market discount" as defined under Section 1276 of the Code. If the amount of the market discount is more than a "*de minimis*" amount (an amount equal to 0.0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date), then the Beneficial Owner will have to recognize, as ordinary income, its share of any gain realized on the disposition of the Bond, to the extent such market discount has accrued. Similarly, the Beneficial Owners will have to recognize any payment of principal as ordinary income, to the extent market discount has accrued.

Alternatively, a Beneficial Owner may elect to recognize and include market discount in income currently. Because such an election will affect how the Beneficial Owner treats other securities it should only be made after consulting with a tax advisor. If a Beneficial Owner elects to recognize and include market discount in income currently, the basis of the Beneficial Owner's interest in the Bond will increase by the amount of market discount recognized. If the market discount rules apply to a Bond but a Beneficial Owner does not elect to accrue and include market discount in income currently, then the Beneficial Owner may have to defer claiming a deduction for any interest expense on indebtedness incurred or continued to purchase or carry the Bond.

Supplemental Coupon

Interest on the Bonds in payment of the Supplemental Coupon will be includible in the gross income of each Beneficial Owner as it is paid (or, if the Beneficial Owner is an accrual method taxpayer, as it is accrued).

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 Tax Credit Allowance Date.

Payments (including deemed payments) of qualified stated interest on a Bond are taxable to a Beneficial Owner as ordinary interest income at the time such payments are accrued or are received (in accordance with the Beneficial Owner's regular method of tax accounting). A Beneficial 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 Beneficial Owner's regular method of tax accounting. Under the OID rules, Beneficial Owners generally will have to include in income increasingly greater amounts of OID in successive accrual periods. A Beneficial 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. Beneficial Owners may generally, upon election, include in income all interest (including stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to OID, subject to certain limitations and exceptions.

Tax Treatment of Stripped Bonds

Reliance on Forthcoming Regulations. Section 54A of the Code allows a Bond to be separated into a Principal Component and Tax Credit Component under regulations to be issued by the Treasury Department. Section 54A also directs that in the case of a separation, (1) the credit allowed under Section 54A of the Code will be allowed to the person who holds the Tax Credit Component on the Tax Credit Allowance Date (and not to the Beneficial Owner of the Principal Component) and (2) the stripping rules of Section 1286 will apply to the Bond as if the Principal Component were a stripped bond and the Tax Credit Component were a stripped coupon. *No regulations have been issued under Section 54A of the Code as of the date of this Official Statement. Accordingly, while the rules under Section 1286 of the Code may be expected to apply as described below, no assurance can be given that the rules in the regulations will agree with such description. Furthermore, regulations or other official guidance under Section 54A of the Code may impose additional requirements and limitations in connection with the separation of the Principal Component and the Tax Credit Component of a Bond.*

For purposes of this subsection, "Strip" means a Principal Component or a Tax Credit Component, and "U.S. Beneficial Owner" means a Beneficial Owner of a Strip that is (i) a citizen or resident of the United States, (ii) a corporation organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States tax purposes regardless of its source, or (iv) 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.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a Beneficial Owner of a Strip, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Strips and the partners therein should seek advice based on their particular circumstances from independent tax advisors.

Treatment of Stripping a Bond. A U.S. Beneficial Owner that strips a Bond into its Principal Component and Tax Credit Components and disposes of one or more of the components is expected to be treated in the following manner. The U.S. Beneficial Owner will first be required to include in income all the interest and market discount accrued on the Bond up to the date of disposition (to the extent such income had not previously been included in income) and will increase its basis in the Bond by the amount included in income. Upon disposing of one or more Strips, the U.S. Beneficial Owner will then be required to recognize gain or loss equal to the difference between the amount realized on each Strip disposed of and the U.S. Beneficial Owner's basis in the Strip. For purposes of determining its basis in each component (whether or not disposed of), the U.S. Beneficial Owner will be required to allocate its tax basis in the entire Bond (increased, as described above, for interest and market discount) between the Principal Component and Tax Credit Components based on their respective fair market values on the date of the disposition.

No Special Exemption. 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.

Inclusion in Income as Original Issue Discount. A U.S. Beneficial Owner of a Strip will accrue income on the Strip in accordance with the OID rules as described below. 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) in the case of a Principal Component, its stated redemption price at maturity, and, in the case of a Tax Credit Component, the amount of the Tax Credit and (2) the U.S. Beneficial Owner's purchase price for the Strip (or, in the case of a person who effects a stripping transaction and disposes of one or more of the Strips, the portion of the person's basis in the Bond which was allocated to the retained Strips as described above).

Regardless of a U.S. Beneficial Owner's ordinary method of tax accounting (cash or accrual) the amount of OID on a Strip will generally be includible in the income of the U.S. Beneficial Owner over the life of the Strip on a constant-yield basis. Consequently, the U.S. Beneficial Owner of a Strip will ordinarily be required to report income from a Strip in advance of receiving the principal amount, in the case of a the Principal Component or the benefit of the Tax Credit, in the case of a Tax Credit Component. See, however, the discussion concerning the special rules applicable to "short-term" Strips, below.

Yearly Calculation. 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 adjusting 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 transaction 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.

Short Term Strips. Special discount accrual rules apply in the case of Strips having a maturity of one year or less from the date of purchase (or in the case of a person who effects a stripping transaction, Strips having a maturity of one year or less from the date of the stripping transaction). In general, a cash basis U.S. Beneficial Owner who purchases a Strip with a maturity that is one year or less from the date of issuance ("short-term Strips") is not required to accrue OID 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 Principal Components and Tax Credit Components and retain one or more components, are required to accrue the "acquisition discount" on the 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.

Sale or Disposition. 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.

Recharacterization. The City is selling the Bonds (and not Strips) to the Underwriter. It is possible, however, that the Underwriter may separate the Beneficial Ownership of some of the Bonds soon after their issuance and sell the Principal Components and the Tax Credit Components resulting from such separation (as well as any remaining Bonds). Such Strips might be viewed, for United States federal income tax purposes, as OID bonds issued directly 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 Underwriter, 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 of a Strip would be determined by reference to all payments (or deemed payments) to be made on the Strip subsequent to the date of the issuance of the Bonds rather than by reference to the payments to be made subsequent to the post-issuance separation of Beneficial Ownership of a Bond and creation 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 Underwriter if the transaction were to be so characterized.

Tax Basis and Sale of Bond or Component. A Beneficial Owner's initial tax basis in a Bond, or a component thereof, generally will be equal to the purchase price paid by the Beneficial Owner for such Bond. A Beneficial Owner's tax basis in the Bond, or a component thereof, will be increased by the amount of original issue discount, if any, that is included in the Beneficial Owner's income, and decreased by the amount of premium, if any, amortized as a reduction to interest income, pursuant to the foregoing rules.

Upon the sale of a Bond, or a component thereof, for cash, a Beneficial 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 Beneficial 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 Beneficial Owner. Cash received attributable to accrued interest will constitute ordinary interest income to a cash method Beneficial Owner, and a return of capital with respect to interest accrued as income by an accrual method Beneficial Owner.

Conversion of Bonds or Tax Credit Certificates into Interest Bearing Bonds or Cash Interest Certificates

The conversion of Bonds or Tax Credit Certificates into Interest Bearing Bonds or Cash Interest Certificates may result in a deemed reissuance of those securities for federal income tax purposes, meaning that the Bonds or Tax Credit Certificates, as the case may be, may be treated as having been sold or exchanged in a taxable transaction as of the date of the conversion for a new obligation which is represented by the Interest Bearing Bonds or Cash Interest Certificates. Such a reissuance may result in the recognition of taxable gain or loss on the Bonds or Tax Credit Certificates and the recharacterization for federal income tax purposes of principal and interest payments on the Interest Bearing Bonds or Cash Interest Certificates.

Foreign Investors

The amount of Tax Credits that can be used by a Beneficial Owner is limited to the Beneficial Owner's regular U.S. income and minimum tax liability. All foreign investors are urged to consult their own tax advisors before making an investment in the Bonds, Principal Components and Tax Credit Components.

Principal payments on the Bonds or payments of the Principal Component to a non-U.S. Beneficial Owner that has no connection with the United States other than holding its Bonds or Principal Component, generally will be made free of withholding tax, as long as the Beneficial Owner has complied with certain tax identification and certification requirements. The IRS has not provided guidance regarding how withholding tax will apply to any interest payment or any deemed interest payment on a Bond or deemed payment of a Tax Credit Component. Therefore, it is not clear how or whether such withholding would occur.

U.S. Federal Information Reporting and Withholding Tax Reporting

The Trustee will prepare such tax information returns as may be required by the IRS. To date, the IRS has not issued any rulings or regulations or otherwise provided any guidance with respect to the mechanics of reporting of the Tax Credits as the equivalent of interest income, the reporting of the availability of the Tax Credits to the Beneficial Owners thereof, or the accrual of OID on the Bonds, the Principal Components and the Tax Credit Components. The failure of the Trustee to furnish a tax reporting form to a Beneficial Owner does not necessarily mean that the Beneficial Owner has no taxable income. In addition, any form furnished to a Beneficial Owner may specify an amount of taxable income different from the actual amount of taxable income reportable by such Beneficial Owner if such Beneficial Owner is not the original purchaser of a Bond, the Principal Components and the Tax Credit Components. The Beneficial Owner of a Tax Credit Certificate, whether held as a Tax Credit Certificate or as part of a Bond, must include on its income tax return information with respect to the amount of taxable interest accrued as original issue discount during the taxable year.

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, the Principal Components and the Tax Credit Components. 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 (that is, 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.

Future Legislative or Regulatory Actions

Legislation and regulatory actions affecting tax credit obligations is continually being considered by the U.S. Congress and the Treasury Department and the IRS, respectively. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the classification of the Bonds as qualified school construction bonds, the ability of the Beneficial Owners of the Bonds to claim the Tax Credits associated therewith, or the entitlement to Beneficial Owners of Tax Credits that have been separated from the associated Principal Components of the Bonds. Legislative or regulatory actions may also affect the economic value of the Bonds or components thereof.

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 9, 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 status of the Bonds as “qualified school construction bonds” with the meaning of Section 54A of the Code 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 G.

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

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APPENDIX A

Audited Annual Financial Report of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2008

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report
can be downloaded at the City Comptroller's web page at:

www.milwaukee.gov

The independent auditor has not been engaged to perform, and has not performed since the date of its report (a portion of which is included herein), any procedures on the financial statements addressed in the report nor on this Official Statement.

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Table of Contents

FINANCIAL SECTION

INTRODUCTORY SECTION

Pages 2-16 Omitted

KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 10 through 34, 96 and 97, respectively, are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2009, except for the financial statements and related note disclosures for the discretely presented component units as to which the date is October 7, 2009

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2008 by $972 million (net assets); $307 million in governmental activities and $665 million in business-type activities. Governmental activities' unrestricted assets are a deficit of $396 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 5.2% compared to the previous year of $1,025 million.

- Net assets must be viewed in the context that the vast majority of the City's net assets are capital assets, and, that most capital assets do not generate revenues nor can they be sold to generate liquid capital. Total net assets are comprised of the following:
  - Capital assets, net of related debt, of $1,166 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - Net assets of $155 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  - Unrestricted ($349) million.

- The City's total 2008 year-end other post-employment benefits (OPEB) obligation is $78.4 million; an increase of 105% from the 2007 obligation of $38.2 million. The obligation is based on an actuarial valuation as of July 1, 2007, which indicates substantial increases through 2016.

- Total liabilities of the City increased by $155 million to $1,644 million. The long-term portion of total liabilities ($1,031 million) consists of $78 million for OPEB, $892 for outstanding debt and $61 million for compensated absences, claims, and judgments.

- The City had governmental expenses of $695 million more than its combined program revenues. General revenues and transfers of $628 million resulted in a $67 million decrease of net assets for the year. Business-type activities had an increase of net assets of 2% over 2007; generating $13 million of program revenues, general revenues and transfers greater than its expense at year end.

- For governmental activities, program revenue supported 19% of the total expenses for 2008. Property taxes and other taxes represented 30% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 31% and miscellaneous revenues and transfers supported 12% of the expenses. As a result of 2008 activity, expenses exceeded revenues and transfers by 8%.

- For business-type activities, program revenue supported 131% of the expenses for 2008; and, in total exceeded the expenses by $51 million. Miscellaneous revenue net of transfers out reduced this excess to $13 million for the year.

- The City's total governmental funds reported total ending fund balances of $203 million this year. Compared to the prior year ending fund balance of $185 million, an increase of $18 million resulted by year end 2008; a 10% increase.

- The General Fund reported a positive fund balance for the year of $73 million. Compared to $91 million in 2007; the 2008 balance decreased 20%. This decrease is a result of total expenditures and other financing uses totaling $18 million more than the total actual revenues and other financing sources. This ending fund balance is 10% of the total General Fund expenditures including transfers, and 12% of the total General Fund revenues including transfers.

- The operating expenditures of the General Fund were $1 million less than budgeted. This favorable variance is a result of savings from general government departments of nearly $3 million with a combined savings in the aggregate of $1 million in the culture and recreation departments, public safety departments, health department, and conservation and development department. These positive variances were offset by a deficit in the public works departments of nearly $3 million. The positive savings included $.4 million due to unrealized claims and $.3 million due to reduced payments for group life insurance premiums as a result of reduced salary levels. The combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved $1 million for the year. All other departments saved in the aggregate of $1.3 million. The Department of Public Works Operations Department incurred a deficit of $2.6 million relating to snow removal and cleanup efforts. December 2008 was the second snowiest December on record. Over 35.3 inches of snow fell in December compared to a normal average snow fall of 11.7 inches. The City plans to issue debt in 2009 to offset this deficit.

- General obligation bonds and notes payable increased by $32 million during the current fiscal year from $728 million to $760 million. The key factors contributing to this increase were scheduled and early retirement of general obligation debt of $207 million and the issuance of $239 million in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.

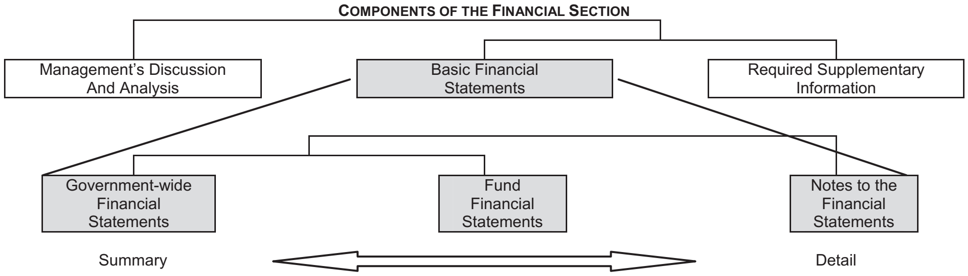
- The City issued General Obligation Cash-flow Promissory Notes for $90 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).   .

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information.** Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.

FIGURE A-1

COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements include two kinds of statements that present different views of the City.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
  - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide	Fund Financial Statements		
	Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets indicate whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the property tax base and the condition of the roads are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- The *component units* include four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the City as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- Proprietary funds: Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- Fiduciary funds: The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category (i.e. streets, sewers) within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**
Current and other assets	$ 741,042	$ 796,030	$ 110,140	$ 109,611	$ 851,182	$ 905,641
Capital assets	941,943	955,475	721,340	755,598	1,663,283	1,711,073
Total assets	1,682,985	1,751,505	831,480	865,209	2,514,465	2,616,714
Long-term obligations	781,408	878,734	142,856	151,810	924,264	1,030,544
Other liabilities	527,822	565,616	36,936	48,277	564,758	613,893
Total liabilities	1,309,230	1,444,350	179,792	200,087	1,489,022	1,644,437
Net assets:						
Invested in Capital assets, net of related debt	558,328	559,343	581,594	607,122	1,139,922	1,166,465
Restricted	116,516	143,951	9,528	10,935	126,044	154,886
Unrestricted	(301,089)	(396,139)	60,566	47,065	(240,523)	(349,074)
Total net assets	$ 373,755	$ 307,155	$ 651,688	$ 665,122	$ 1,025,443	$ 972,277

Net assets of the City's governmental activities decreased 17.8% to $307.2 million for 2008. These net assets are restricted as to use in the amount of $143.9 million or are invested in capital assets in the amount of $559.3 million (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit ($396.1 million) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2.1% to $665.1 million in 2008. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term obligations for both governmental and business-type activities increased 12.5% and 6.3% respectively from 2007 due primarily by an increase in the issuance of long-term debt and the recording of the OPEB obligation.

Total assets, including capital assets increased $102.2 million or 4.1% from 2007. Capital assets of the primary government increased 2.9% from the previous year. For 2008, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (51%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (41%) includes all the various sewer mains and connections.

Changes in net assets. The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled $753.7 million for the governmental activities. Of revenues, 34% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 12% of the total revenues, and the remaining 8% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 37% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 81%; total general revenues combined with program revenue and transfers resulted in a negative change in net assets of $66.6 million or 7.8% of total general expenses for governmental activities. The margin for business-type activities had 30.9% of program revenues greater than expenses and a 6.7% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison.

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	$ 76,496	$ 86,410	$ 187,493	$ 203,512	$ 263,989	$ 289,922
Operating grants and contributions	75,074	77,032	-	-	75,074	77,032
Capital grants and contributions	-	-	6,062	10,203	6,062	10,203
General revenues:						
Property taxes and other taxes	243,654	257,210	-	-	243,654	257,210
State aids for General Fund	272,539	271,100	-	-	272,539	271,100
Miscellaneous	84,042	61,949	2,121	979	86,163	62,928
Total revenues	751,805	753,701	195,676	214,694	947,481	968,395
Expenses						
General government	204,724	208,608	-	-	204,724	208,608
Public safety	297,711	314,935	-	-	297,711	314,935
Public Works	157,701	174,629	-	-	157,701	174,629
Health	23,102	20,830	-	-	23,102	20,830
Culture and recreation	21,298	20,639	-	-	21,298	20,639
Conservation and development	70,025	61,693	-	-	70,025	61,693
Capital contribution to Milwaukee Public Schools	2,788	6,474	-	-	2,788	6,474
Contributions	21,915	22,177	-	-	21,915	22,177
Interest on long-term debt	30,536	28,368	-	-	30,536	28,368
Water	-	-	62,064	64,562	62,064	64,562
Sewer Maintenance	-	-	29,928	29,167	29,928	29,167
Parking	-	-	24,025	25,078	24,025	25,078
Port of Milwaukee	-	-	5,626	4,182	5,626	4,182
Metropolitan Sewerage District User Charges.	-	-	32,301	40,219	32,301	40,219
Total expenses	829,800	858,353	153,944	163,208	983,744	1,021,561
Increase in net assets before transfers	(77,995)	(104,652)	41,732	51,486	(36,263)	(53,166)
Transfers	36,483	38,052	(36,483)	(38,052)	-	-
Increase in net assets	(41,512)	(66,600)	5,249	13,434	(36,263)	(53,166)
Net assets – Beginning	415,267	373,755	646,439	651,688	1,061,706	1,025,443
Net assets – Ending	$ 373,755	$ 307,155	$ 651,688	$ 665,122	$ 1,025,443	$ 972,277

Governmental Activities

Revenues for the City's governmental activities were $753.7 million, while total expenses were $858.4 million for 2008. All revenues, excluding transfers, are supporting 87.8% of the total expenses; 92.2% with transfers. Comparable data for 2007 indicates 90.6% of all revenues, excluding transfers supported the 2007 expenses and, 95% with transfers.

Property taxes represent 34.1% of the total revenues for 2008 compared to 32.4% for 2007; a 5.6% increase in this category. The increase in revenues is primarily due to an increase in collections; however, the City of Milwaukee's share of the Tax Rate increased two cents (from $7.99 in 2007 to $8.01 in 2008 [per $1,000 of Assessed Value]). State aids for the General Fund of $271.1 million decreased from 2007 by $1.4 million or .5%. The combined property taxes and state aids comprised approximately 70.1% of the total revenues for governmental funds in 2008 compared to 68.7% in 2007. Charges for services equaled 11.5% of the total revenues in 2008 compared to 10.2% in 2007.

Governmental activities had expenses increase 3.4% in 2008 to $858.4 million from $829.8 million in 2007. Expenses for general government, which comprise 24.3% of the total expenses, increased 1.9% in 2008. Public safety expenses represent the largest category of governmental activities or 36.7% of the total expenses for 2008 which is an increase of 5.8% over 2007. Due to the excessive snowfall during 2008, public works expenses increased 10.7% over 2007.

Chart 1
2008 Expenses and Program Revenues - Governmental Activities

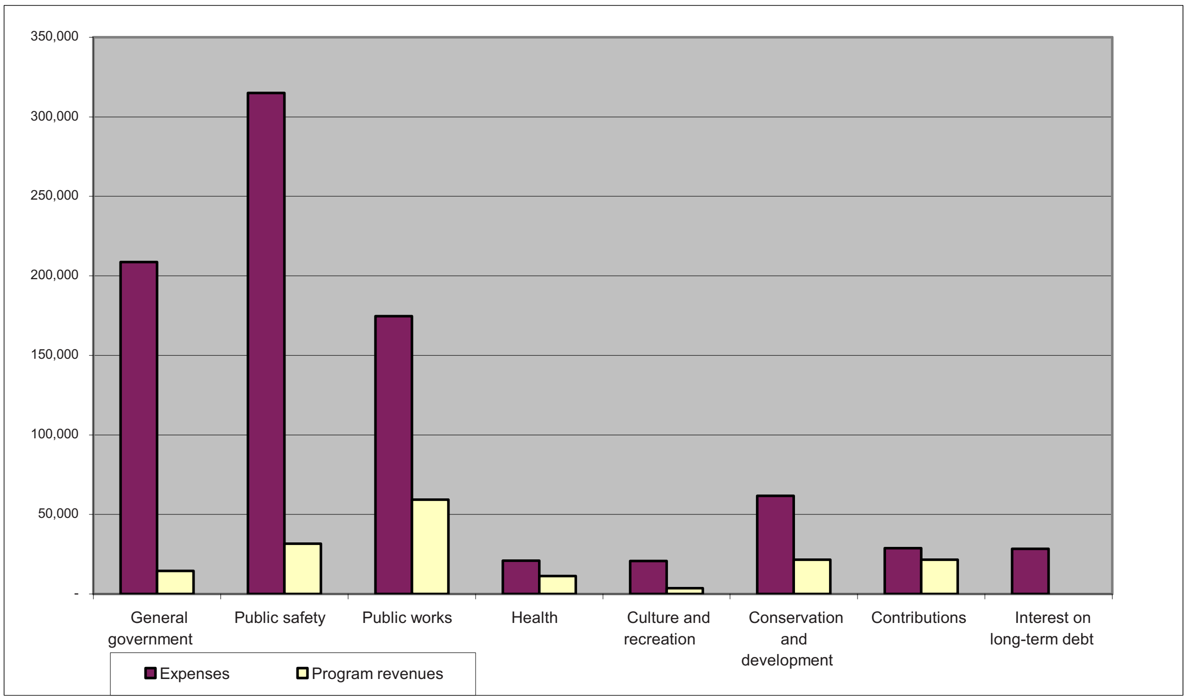


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2007	**2008**	**2007**	**2008**
General government	$ 204,724	$ 208,608	$ 190,243	$ 194,038
Public safety	297,711	314,935	271,271	283,373
Public works	157,701	174,629	108,024	115,234
Health	23,102	20,830	10,375	9,556
Culture and recreation	21,298	20,639	17,244	17,120
Conservation and development	70,025	61,693	48,104	40,103
Contributions	24,703	28,651	2,433	7,119
Interest on long-term debt	30,536	28,368	30,536	28,368
Total Governmental Activities	$ 829,800	$ 858,353	$ 678,230	$ 694,911

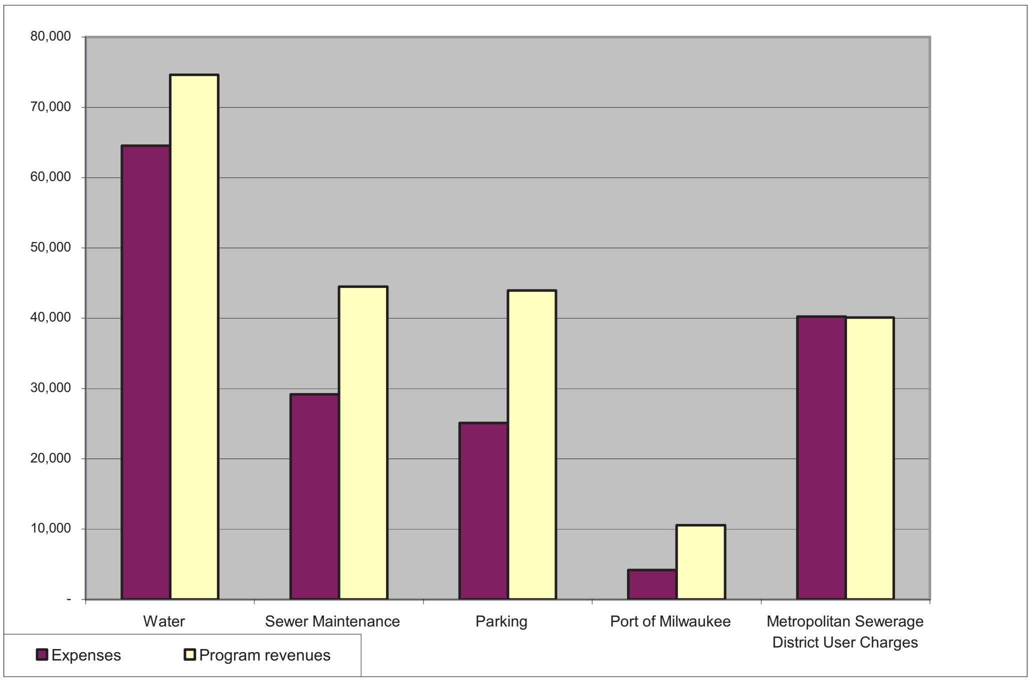
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2008 to $694.9 million from $678.2 million in 2007 or 2.5% change. For 2008, Public Safety's net cost of services represents the largest category of total expenses at 40.8%, an increase of 4.5% in net cost of services compared to 2007. The total costs of services for all governmental activities increased overall by 3.4%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of $63.4 million and operating income of $10.2 million. The Sewer Maintenance had operating income of $20.0 million after generating expenses of $20.7 million. The City parking facilities operating expenses during 2008 were $24.5 million with net operating income of $19.1 million.

Total revenues on Table 2 shows an increase of $19 million in 2008 compared to 2007, or 9.7%. Total expenses and transfers of all enterprise funds of the City increased $10.9 million, from $190.4 million in 2007 to $201.3 million in 2008. This resulted in a change in net assets activity for the year 2008 of an increase of $8.2 million compared to 2007. The 2008 year-end Total Net Assets increased by $13.4 million or 2.1%.

Chart 2
2008 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental Funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of $202.9 million, an increase of $17.8 million or 9.6% over last year. A major contributor to this increase was the issuance of additional general obligation debt in the Capital Projects Funds. As a result, the expenditures for various capital projects in advance of the issuance of debt produced a beginning of year net fund deficit of $67.2 million but improved to a deficit fund balance at year end 2008 of $37.4 million. Debt issued for capital projects totaled $124.7 million in 2008 compared to $21.3 million in 2007. At year end, the capital projects with a fund deficit were Bridges ($1,922,000), Library ($123,000), Public Buildings ($1,450,000), Sewers ($1,833,000), Urban Renewal ($851,000), Streets ($3,911,000), and Tax Incremental Districts ($16,526,000). The fund balance deficit of $12,158,000 for special assessment capital projects remained relatively unchanged. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. If over $125, these bills are payable over six years. Other capital projects such as fire, playgrounds and recreation, police and special projects netted a positive fund balance at year end of $1,423,000.

The total reserves of the General Fund decreased 19.7% to $73.0 million from $90.9 million in 2007. Of this amount, $22.4 will finance the 2009 budget, with $20.0 available for 2010 and subsequent years' budgets. The year 2007 showed a $14.3 million reduction.

Chart 3 and 4 graphically depict the spending by function and revenues by source for all governmental funds. Revenues for governmental functions overall totaled $753.9 million in the fiscal year ended December 31, 2008, which represents an increase of approximately 0.8% compared to the fiscal year ended December 31, 2007. Expenditures for governmental funds totaled $1,014.7 million, an increase of 3.6%. In the aggregate, expenditures exceeded revenues by $260.8 million, or approximately 34.6%. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of $17.8 million for the year compared to a decrease of $85.5 million in 2007. Other financing sources include proceeds from issuance of debt, transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Chart 3
2008 City Spending by Function - Governmental Funds

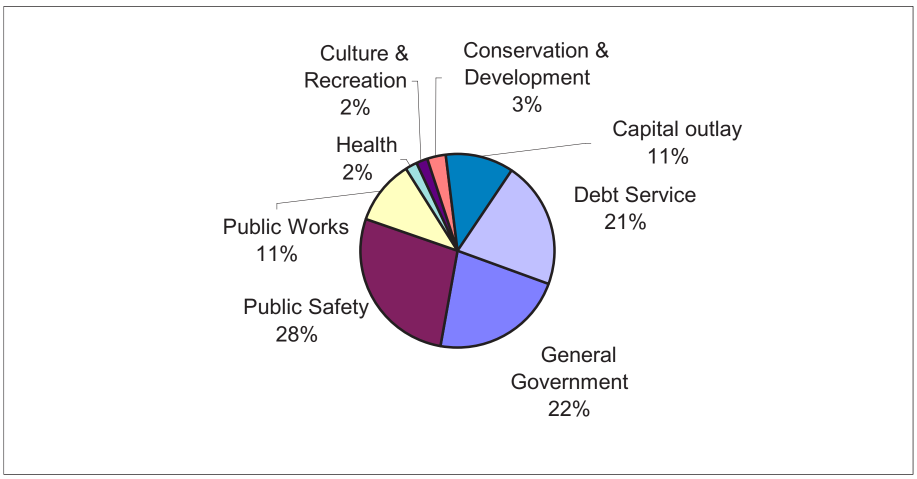
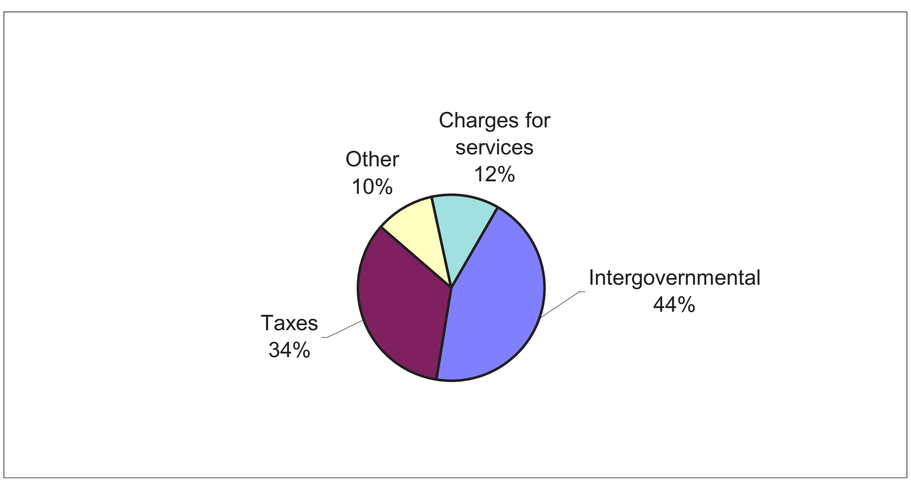


Chart 4
2008 Revenues by Source - Governmental Funds



Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by $17.8 million or 19.6%. Revenues and other financing sources totaled approximately $695.1 million and expenditures and other financing uses totaled approximately $712.9 million - detailed in Table 4 below. While revenues remained consistent with the prior year (increasing by 0.77% over 2007), expenditures increased 2.6% over 2007, with expenditures exceeding revenues by 11.6%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by $46.5 million. In addition, $29.5 million was withdrawn from the Reserve for Tax Stabilization to fund the 2008 General Fund budget. This was an increase of $6.3 million from 2007.

Total General Fund revenues for 2008 totaled $556.5 million. The largest revenue category is intergovernmental at $271.1 million with 48.7% of the total revenue. The second largest revenue source is Property Taxes with $141.6 million or 25.4%. Charges for Services, which includes revenues for services provided by City departments, comprises 15.5% or $86.4 million. These three categories combined comprise 89.7% of the total revenues for 2008. The largest increase in revenues compared to 2007 was the Charges for Services category with a 13.0% increase.

The following table (Table 4) presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources

Revenues:	**2007**	**2008**	**% Change**
Property taxes	$ 137,253	$ 141,573	3.15%
Other taxes	5,311	4,839	-8.89%
Licenses and permits	13,704	12,918	-5.74%
Intergovernmental	272,539	271,100	-0.53%
Charges for services	76,496	86,410	12.96%
Fines and forfeits	5,800	5,277	-9.02%
Contributions received	22,270	21,532	-3.31%
Other	18,883	12,864	-31.88%
Total Revenues	552,256	556,513	0.77%
Other Financing Sources			
Debt proceeds	66,000	91,600	
Transfers in	40,561	47,019	15.92%
Total Revenues and Other Financing Sources .	658,817	695,132	5.51%
Excess of Revenues over Expenditures	(52,804)	(64,385)	21.93%
Net Change in Fund Balance	$ (14,322)	$ (17,846)	24.61%

Expenditures and Other Financing Uses

Expenditures:	**2007**	**2008**	% Change
General government...........	$ 222,781	$ 221,023	-0.79%
Public safety.......................	257,137	266,370	3.59%
Public works.......................	93,956	103,149	9.78%
Health................................	10,359	10,118	-2.33%
Culture and recreation	17,548	16,782	-4.37%
Conservation and development	3,279	3,456	5.40%
	-	-	
Total Expenditures	605,060	620,898	2.62%
Other Financing Uses			
Transfers out	68,079	92,080	35.25%
Total Expenditures and other Financing Uses	$ 673,139	$ 712,978	5.92%

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. For 2008, $90 million was issued. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The City maintains two separate Debt Service Funds. The General Obligation Debt Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from $56.8 million to $71.2 million or 25.5%. Total revenues of the General Obligation Debt Service increased from $88.1 million in 2007 to $102.0 million in 2008. Revenues combined with *Other Financing Sources* totaled $247.7 million; expenditures combined with *Other Financing Uses* totaled $233.2 million; resulting in a *Net Change in Fund Balance* for year end 2008 of $14.5 million. The Public Debt Amortization Fund showed a decrease of 14.8% from $70.2 million to $59.8 million at year-end for its fund balance due to net transfers out of $17.8 million combined with an overall increase of total revenues over expenditures of $7.4 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2008 showed a fund balance deficit of $37.4 million (an increase in the fund balance of $29.8 million compared to a fund balance deficit of $67.2 million in 2007). In 2008, total debt proceeds amounted to $124.7 million as compared to $21.3 million in 2007, a 485.5% increase. Total revenues decreased 28% from $26.8 million to $19.8 million; expenditures decreased from $127.3 million to $114.8 million or 9.8%. The issuance of bonds and notes during 2008 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures in total and thereby reduced the 2008 year end deficit in fund balance by $29.8 million.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were $47.1 million. This was a decrease from $60.6 million at December 31, 2007 or 22.3%. This decrease consists of $8.4 million in Water Works, $7.4 million in Sewer Maintenance, and offset by an increase of $0.8 million in Parking and $1.5 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 8.6% from 2007 - $186.8 million to $202.9 million in 2008; total operating expenses increased to $152.9 million in 2008 from $143.7 million in 2007 or 6.4%. The Water Works is the largest enterprise activity for the City, comprising approximately 36.2% of the total operating revenues. The Sewer Maintenance Fund comprises 20.1% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2008 Water Works and Sewer Maintenance operating revenues increased 1.4% and 7.9%, respectively; all other enterprise funds combined increased by 15.9%. Water Works nonoperating revenues for 2008 are mainly composed of interest income. Investment income decreased by 60.7%, or $1,037,000 from 2007. Other miscellaneous nonoperating revenue also decreased from $304,000 to $194,000 in 2008. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 36.2% from 2007.

The Water Works incurred total operating and nonoperating expenses of $64.6 million for 2008 compared to $62.1 million for 2007. Excluding depreciation expense, operating expenses increased over the previous year by $2.5 million or 5.3%. The nonoperating expenses (interest expense) of the Water Works decreased by $193,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 7.9% over 2007.

General Fund Budgetary Highlights

Over the course of the year, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased budgets provided departments additional appropriation authority due to revenue increases related to the additional spending. These appropriations were: $116,059 and $58,030 for the Department of City Clerk funding support of City Cable Channel equipment upgrades and other cable purposes; $188,956 for the Department of Public Works from a Federal Emergency Management Agency (FEMA) grant to address a spring flood; $440,650 for snow and ice removal costs for the February 2008 snow storm, and $2,025,000 due to a rate increase relating to snow and ice control and apartment garbage collection fees.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2007 less the encumbrances carried over to 2009. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2007 by the Common Council less those appropriations authorized for carryover to 2009. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section,

Exhibit E-1 shows both the original 2008 General Fund expenditure budget of $592.1 million and the final budget of $600.0 million. This is a 2.3% increase over the final 2007 budget of $586.5 million. The original General Fund revenue budget totaled $535.6 million with the final budget increasing by $2.8 million to $538.4 million. This is a 2.6% increase over the final 2007 revenue budget of $525.0 million.

For the fiscal year ended December 31, 2008, the General Fund revenue budget exceeded actual revenues by $3.5 million. However, actual 2008 General Fund revenues exceeded that of the prior year. General Fund actual revenues totaled $556.5 million in 2008, a $4.2 million (+0.8%) increase over 2007. Property Taxes and Charges for Services increased by 3.2% and 13.0%, respectively. Noteworthy increases over 2007 actual revenue include a $9.9 million increase in Charges for Services ($3.6 million in snow and ice removal fees and $0.9 million in pavement cut services provided to the Water Works and Sewer Maintenance enterprise funds). All other categories (Other Taxes, Licenses and permits, Intergovernmental, Fines and forfeits and Other) decreased in ranges of 0.5% to 31.9% for a total decrease of $9.2 million. A major "Other" revenue decrease was interest on investments, declining by $6.0 million or 31.9%. The average interest earnings rate was 2.743% compared to 5.095% in 2007 with a decrease in the average investable balance from $244.2 million in 2007 to $218.2 million in 2008.

The year 2008 also produced an unexpended budget surplus of $1.2 million.The general government category contributed $2.8 million; public works reduced the surplus by $2.5, and public safety, health culture and recreation and conservation and development, in the aggregate, added $.9 million. Of the $2.8 million saved by general government departments, $.4 million was saved by City Attorney collection contract due to unrealized claims. The combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a surplus in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved $1.1 million for the year. The Employees' Retirement incurred a budgetary savings of $.3 on Group Life Insurance Premiums due to reduced salary levels. Minor savings in other general government departments make up the remaining savings of $1 million. The Department of Public Works Operations Department incurred a deficit of $2.6 million relating to snow removal and cleanup efforts. December 2008 was another record setting year for snowfall.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department.

The City's General Fund's beginning fund balance of $90.9 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of $29.5million. Also, for 2008, expenditures of the Public Works category exceeded appropriations in the General Fund in the net amount of $2.5 million. Of this amount, the Department of Public Works-Operations Division's snow plowing operations were overdrawn $2.6 million. The Council has approved the issuance of short-term promissory notes to fund this deficit in 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2008 total $1,711.1 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was $47.8 million or 2.9%. Governmental activities' capital assets increased $13.5 million or a 1.4% increase from 2007. Business-type activities' capital assets increased $34.3 million or 4.8% at the end of 2008. A schedule comparing the assets by type for 2007 and 2008 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were $26.2 million and deletions were $12.7 million for 2008 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of $25.5 million. Of the sewer maintenance fund's net assets at year end, 84.3% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 65.9% of its total net assets with 27.8% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.8%.

Debt issued to finance tax incremental districts (TID) consists of $157.9 million outstanding at year end. The majority of these expenditures have no related assets for TID, so net increases in TID debt reduce unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was $87.8 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statutes, MPS cannot issue its own debt. As a result, the City issues debt for schools purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, reduced unrestricted net assets by an equal amount.

Table 5
Capital Assets
(net of depreciation)
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Capital assets not being depreciated:						
Land	$ 163,769	$ 163,797	$ 16,115	$ 18,167	$ 179,884	$ 181,964
Construction in progress	106,357	123,768	52,699	61,966	159,056	185,734
Capital assets being depreciated:						
Buildings	194,137	194,782	85,000	85,421	279,137	280,203
Infrastructure	1,337,345	1,355,649	664,521	713,333	2,001,866	2,068,982
Improvements other than buildings	11,198	11,573	27,300	7,717	38,498	19,290
Machinery and equipment	145,659	162,573	211,792	212,266	357,451	374,839
Nonutility property	-	-	5,316	5,509	5,316	5,509
Accumulated depreciation	(1,016,522)	(1,056,667)	(341,403)	(348,781)	(1,357,925)	(1,405,448)
Total	$ 941,943	$ 955,475	$ 721,340	$ 755,598	$ 1,663,283	$ 1,711,073

Debt

At year-end, the City had $760.6 million in general obligation bonds and notes, $49.7 million in State loans, and $61.2 million in revenue bonds outstanding as itemized in Table 6.

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled $239.0 million, of which $1.6 million related to Sewer Maintenance, Parking, and Port Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's July 2008 general obligation bonds issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was $1,038 at the end of 2007, and $1,127 at the end of 2008; a 8.6% increase from the prior year. As of December 31, 2008, the City's outstanding net general obligation debt for governmental activities was 2.09% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 43.2% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2008, notes were issued in the amount of approximately $21.1 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
(Thousand of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**
General obligation bonds and notes (backed by the City)	$ 669,404	$ 725,670	$ 58,936	$ 34,970	$ 728,340	$ 760,640
State loans	-	-	14,369	49,653	14,369	49,653
Revenue bonds (backed by specific fee revenues)	-	-	64,711	61,170	64,711	61,170
Total	$ 669,404	$ 725,670	$ 138,016	$ 145,793	$ 807,420	$ 871,463

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total property taxes levied for all funds of the City in 2008 for 2009 purposes increased $.08 per thousand dollars of assessed valuation to a rate of $8.09. The 2007 for 2008 rate increased $.02 (from $7.99 to $8.01).

The property tax levy will provide $123.7 million revenue for the general city purposes budget in 2009. This represents an increase of $19.7 million from 2008 or 18.9%. The total City tax levy increased from $227.5 million for 2008 to $237 million for 2009 or a $7.4 million increase. The 2009 budget includes $87.2 million in revenue from charges for services, an increase of $6.6 million. This category of funding encompasses revenue received for services provided by City operating departments. The Solid Waste Fee is the largest revenue source in this category and is expected to generate $28.5 million for 2009. This fee represents 32.7% of the total charges for services in the 2009 budget. The Street Sweeping and Leaf Collection Fee is expected to generate $10.1 million for 2009; a 102% increase from 2008 due to a rate increase. This Fee now comprises 11.5% of the total charges for services for 2009 compared to 6.2% in 2008.

Estimated intergovernmental revenues, primarily from the State of Wisconsin, are projected to total $272.3 million; a slight increase of $1 million from 2008 or less than one-half of one percent.

The 2009 adopted City Budget is about $1.4 billion with the budget for the General Fund at $667.1 million. The General Fund budget increased 3.9% over the 2008 budget of $642.1 million. In 2009, the City will expend $114.9 million for health insurance and related costs compared to $109.9 million budgeted for 2008, an increase of 4.6%. Another major increase from 2008 is the cost of salaries and wages, including pending labor contract settlements and cost of living rate increases, direct salaries, vacation pay, holiday pay and other salary related payments. This increase totals $13 million over 2008, or a plus 3.6%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments reflects a decrease of 66 FTE with the Fire Department having a decrease of 36 FTE and the Library Department decreasing by 21 FTE's for 2009.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. However, the General Fund reserve for tax stabilization decreased from its 12/31/07 balance of $62.7 million to $42.4 million at 12/31/08. With expected limitations on additional state shared revenues, a potential increase in the City contribution to the Employees Retirement System and record snowfalls resulting in a shortfall for this purpose of over $2.6 million, the City is currently taking action to restrain spending and increase revenues in 2009. Initiatives include a hiring freeze, significant fee increases and a mandatory furlough during 2009. This plan is further explained in the Letter of Transmittal section of this report.

The unemployment rate for 2008 is 7.9%, a 21.5% increase over the previous year The per capita income for the most recent fiscal year available (2007) was $35,852 - a 5.1% increase from 2006.

The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau.

2004	593,920
2005	592,765
2006	590,370
2007	590,190
2008	590,870

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2008
(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 244,043	$ 51,823	$ 295,866	$ 57,404
Investments	6,126	-	6,126	3,559
Receivables (net):				
Taxes	198,563	-	198,563	-
Accounts	18,745	38,562	57,307	1,983
Unbilled accounts	1,135	14,629	15,764	-
Special assessments	14,216	-	14,216	-
Notes and loans	53,700	-	53,700	90,920
Accrued interest	606	38	644	3,689
Due from component units	18,434	-	18,434	-
Due from primary government	-	-	-	118
Due from other governmental agencies	230,513	1,073	231,586	17,552
Inventory of materials and supplies	7,519	2,331	9,850	-
Inventory of property for resale	26	-	26	7,925
Prepaid items	354	447	801	897
Deferred charges	2,050	422	2,472	1,115
Other assets	-	286	286	504
Total Noncapital Assets	796,030	109,611	905,641	185,666
Capital assets:				
Capital assets not being depreciated:				
Land	163,797	18,167	181,964	54,187
Construction in progress	123,768	61,966	185,734	2,301
Capital assets being depreciated:				
Buildings	194,782	85,421	280,203	480,524
Infrastructure	1,355,649	713,333	2,068,982	789
Improvements other than buildings	11,573	7,717	19,290	1,531
Machinery and equipment	162,573	212,266	374,839	3,277
Nonutility property	-	5,509	5,509	-
Accumulated depreciation	(1,056,667)	(348,781)	(1,405,448)	(232,498)
Total Capital Assets	955,475	755,598	1,711,073	310,111
Total Assets	1,751,505	865,209	2,616,714	495,777

CITY OF MILWAUKEE

Exhibit 1 (Continued)

STATEMENT OF NET ASSETS

December 31, 2008

(Thousands of Dollars)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable	$ 43,413	$ 16,205	$ 59,618	$ 7,066
Accrued expenses	32,871	3,199	36,070	6,512
Accrued interest payable	10,737	1,027	11,764	-
Internal balances	(27,795)	27,795	-	-
Due to component units	118	-	118	-
Due to other governmental agencies	502	-	502	2,175
Deferred revenue	295,770	51	295,821	1,146
Revenue anticipation notes payable	210,000	-	210,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	6,937
Due to primary government:				
Due within one year	-	-	-	765
Due in more than one year	-	-	-	17,669
Long-term obligations:				
Due within one year	94,417	11,250	105,667	5,278
Due in more than one year	784,317	140,560	924,877	134,381
Total Liabilities	1,444,350	200,087	1,644,437	181,929
NET ASSETS				
Invested in capital assets, net of related debt	559,343	607,122	1,166,465	186,985
Restricted for:				
Debt Service	143,778	10,935	154,713	14,196
Temporarily restricted	-	-	-	8,184
Other purposes	173	-	173	-
Unrestricted	(396,139)	47,065	(349,074)	104,483
Total Net Assets	**$ 307,155**	**$ 665,122**	**$ 972,277**	**$ 313,848**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

(Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 208,608	$ 12,589	$ 1,981	$ -
Public safety	314,935	17,998	13,564	-
Public works	174,629	53,348	6,047	-
Health	20,830	644	10,630	-
Culture and recreation	20,639	1,443	2,076	-
Conservation and development	61,693	388	21,202	-
Capital contribution to Milwaukee Public Schools	6,474	-	-	-
Contributions	22,177	-	21,532	-
Interest on long-term debt	28,368	-	-	-
Total Governmental Activities	858,353	86,410	77,032	-
Business-type Activities:				
Water	64,562	73,731	-	900
Sewer Maintenance	29,167	40,724	-	3,779
Parking	25,078	43,961	-	-
Port of Milwaukee	4,182	5,017	-	5,524
Metropolitan Sewerage District User Charges	40,219	40,079	-	-
Total Business-type Activities	163,208	203,512	-	10,203
Total Primary Government	$ 1,021,561	$ 289,922	$ 77,032	$ 10,203
Component units:				
Housing Authority	$ 85,254	$ 19,876	$ 48,509	$ 11,833
Redevelopment Authority	11,772	5,997	5,021	3,263
Milwaukee Economic Development Authority	4,830	3,505	772	-
Neighborhood Improvement Development Corporation	636	459	1,296	-
Total Component Units	$ 102,492	$ 29,837	$ 55,598	$ 15,096

General revenues:

Property taxes and other taxes

State aids for General Fund

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning, as restated (note 1w)

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Exhibit 2 (Continued)

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (194,038)		$ (194,038)	
(283,373)		(283,373)	
(115,234)		(115,234)	
(9,556)		(9,556)	
(17,120)		(17,120)	
(40,103)		(40,103)	
(6,474)		(6,474)	
(645)		(645)	
(28,368)		(28,368)	
(694,911)		(694,911)	
-	$ 10,069	10,069	
-	15,336	15,336	
-	18,883	18,883	
-	6,359	6,359	
-			
-	(140)	(140)	
-	50,507	50,507	
(694,911)	50,507	(644,404)	
			$ (5,036)
			2,509
			(553)
			1,119
			(1,961)
257,210	-	257,210	-
271,100	-	271,100	-
61,949	979	62,928	7,695
38,052	(38,052)	-	-
628,311	(37,073)	591,238	7,695
(66,600)	13,434	(53,166)	5,734
373,755	651,688	1,025,443	308,114
$ 307,155	**$ 665,122**	**$ 972,277**	**$ 313,848**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE

Exhibit A-1

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2008

(Thousands of Dollars)

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 74,671
Investments	173
Receivables (net):	
Taxes	128,946
Accounts	17,764
Unbilled accounts	1,135
Special assessments	-
Notes and loans	70
Accrued interest	490
Due from other funds	58,576
Due from component units	1,018
Due from other governmental agencies	4,753
Advances to other funds	13,367
Inventory of materials and supplies	7,222
Inventory of property for resale	26
Prepaid items	354
Total Assets	**$ 308,565**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 27,539
Accrued expenses	32,477
Due to other funds	1,438
Due to component units	1
Due to other governmental agencies	-
Deferred revenue	174,103
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	235,558
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	22,865
Reserved for inventory	7,248
Reserved for mortgage trust	173
Reserved for environmental remediation	303
Reserved for tax stabilization - 2009	22,379
Reserved for tax stabilization - 2010 and subsequent years' budgets and advances to other funds	20,039
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	73,007
Total Liabilities and Fund Balances	**$ 308,565**

The notes to the financial statements are an integral part of this statement.

Exhibit A-1 (Continued)

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 112,942	$ 33,849	$ 7,058	$ 15,523	$ 244,043
-	5,953	-	-	6,126
55,576	-	3,826	10,215	198,563
-	-	595	386	18,745
-	-	-	-	1,135
-	-	14,216	-	14,216
13,855	20,005	-	19,770	53,700
74	42	-	-	606
-	-	-	-	58,576
16,889	-	457	70	18,434
210,000	-	3,872	11,888	230,513
-	-	-	-	13,367
-	-	297	-	7,519
-	-	-	-	26
-	-	-	-	354
$ 409,336	**$ 59,849**	**$ 30,321**	**$ 57,852**	**$ 865,923**
$ 7	$ -	$ 11,895	$ 3,972	$ 43,413
20	-	191	183	32,871
2,840	-	18,987	7,516	30,781
-	-	60	57	118
-	-	-	502	502
125,229	-	23,172	9,514	332,018
210,000	-	-	-	210,000
-	-	13,367	-	13,367
338,096	-	67,672	21,744	663,070
71,240	59,849	-	12,689	143,778
-	-	-	8,213	8,213
-	-	-	737	737
-	-	1,423	-	24,288
-	-	297	-	7,545
-	-	-	-	173
-	-		-	303
-	-	-	-	22,379
-	-	-	-	20,039
-	-	(26,913)	14,469	(12,444)
-	-	(12,158)	-	(12,158)
71,240	59,849	(37,351)	36,108	202,853
$ 409,336	**$ 59,849**	**$ 30,321**	**$ 57,852**	**$ 865,923**

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CITY OF MILWAUKEE

Exhibit A-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2008

(Thousands of Dollars)

Fund balances - total governmental funds		$ 202,853
Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 163,797	
Buildings, net of $74,784 accumulated depreciation	119,998	
Infrastructure, net of $883,878 accumulated depreciation	471,771	
Improvements other than buildings, net of $7,469 accumulated depreciation	4,104	
Machinery and equipment, net of $90,536 accumulated depreciation	72,037	
Construction in progress	123,768	
		955,475
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.		2,050
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year-end	9,471	
Special assessments to be collected after year-end	12,922	
Notes and loans receivable to repay long-term bonds and notes	13,855	
		36,248
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(10,737)	
Bonds and notes payable	(725,670)	
Deferred amount on refunding	5,197	
Unamortized premiums	(22,882)	
Compensated absences	(31,208)	
Net other postemployment benefits obligation	(75,705)	
Claims and judgments	(28,466)	
		(889,471)
Total net assets of governmental activities (Exhibit 1)		**$ 307,155**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE Exhibit A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 141,573
Other taxes	4,839
Special assessments	-
Licenses and permits	12,918
Intergovernmental	271,100
Charges for services	86,410
Fines and forfeits	5,277
Contributions received	21,532
Other	12,864
Total Revenues	556,513
Expenditures:	
Current:	
General government	221,023
Public safety	266,370
Public works	103,149
Health	10,118
Culture and recreation	16,782
Conservation and development	3,456
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	620,898
Excess (Deficiency) of Revenues over Expenditures	(64,385)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	91,600
Loans receivable activities	-
Issuance premium	-
Transfers in	47,019
Transfers out	(92,080)
Total Other Financing Sources and Uses	46,539
Net Change in Fund Balances	(17,846)
Fund Balances - Beginning	90,853
Fund Balances - Ending	**$ 73,007**

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 74,201	$ -	$ 7,206	$ 4,657	$ 227,637
20,187	2,720	-	-	27,746
-	-	3,631	-	3,631
-	-	-	-	12,918
1,067	-	7,048	54,130	333,345
1,814	-	-	-	88,224
-	-	-	-	5,277
-	-	-	-	21,532
4,722	4,727	1,916	9,334	33,563
101,991	7,447	19,801	68,121	753,873
296	4	-	3,121	224,444
-	-	-	13,564	279,934
-	-	-	6,047	109,196
	-	-	10,630	20,748
-	-	-	2,076	18,858
-	-	-	28,340	31,796
-	-	114,825	-	114,825
181,102	-	-	-	181,102
33,637	-	-	-	33,637
147	-	-	-	147
215,182	4	114,825	63,778	1,014,687
(113,191)	7,443	(95,024)	4,343	(260,814)
-	-	124,693	21,075	237,368
-	-	-	(518)	(518)
3,694	-	-	-	3,694
142,003	11,192	859	-	201,073
(18,044)	(28,981)	(686)	(23,230)	(163,021)
127,653	(17,789)	124,866	(2,673)	278,596
14,462	(10,346)	29,842	1,670	17,782
56,778	70,195	(67,193)	34,438	185,071
$ 71,240	**$ 59,849**	**$ (37,351)**	**$ 36,108**	**$ 202,853**

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CITY OF MILWAUKEE

Exhibit A-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		$ 17,782
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($60,561) exceeded depreciation expense ($46,556) in the current period less loss on disposals ($473)		13,532
Notes and loans receivable to repay long-term bonds and notes		(1,074)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	$ 1,827	
Special assessments deferred revenue beginning of the year $13,930 less deferred at end of the year $12,922	(1,008)	
		819
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(237,368)	
Issuance premiums	(3,694)	
Repayments:		
Principal retirement	181,102	
Bond issuance costs	147	
Amortization:		
Issuance costs	(418)	
Premiums	6,587	
Deferred amount on refunding	(1,256)	
		(54,900)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(424)	
Net other postemployment benefits obligation	(38,828)	
Claims and judgments	(3,445)	
Accrued interest on bonds and notes	(62)	
		(42,759)
Changes in net assets of governmental activities (Exhibit 2)		**$ (66,600)**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 18,897	$ -	$ 21,991	$ -	$ 40,888
Restricted cash and cash equivalents	655	1,548	-	-	2,203
Receivables (net):					
Accounts	13,603	12,079	4	12,876	38,562
Unbilled accounts	9,668	2,268	-	2,693	14,629
Accrued interest	34	4	-	-	38
Due from other funds	4,278	537	-	534	5,349
Due from other governmental agencies	-	-	-	1,073	1,073
Inventory of materials and supplies	2,331	-	-	-	2,331
Prepaid items	447	-	-	-	447
Deferred charges	-	422	-	-	422
Other assets	286	-	-	-	286
Total Current Assets	50,199	16,858	21,995	17,176	106,228
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,732	-	-	8,732
Capital assets:					
Capital assets not being depreciated:					
Land	1,936	-	8,440	7,791	18,167
Construction in progress	10,975	46,304	4,687	-	61,966
Capital assets being depreciated:					
Buildings	21,292	-	50,645	13,484	85,421
Infrastructure	331,142	366,635	-	15,556	713,333
Improvements other than buildings	-	-	5,429	2,288	7,717
Machinery and equipment	201,582	4,320	1,645	4,719	212,266
Nonutility property	5,509	-	-	-	5,509
Accumulated depreciation	(188,676)	(106,720)	(32,260)	(21,125)	(348,781)
Net Capital Assets	383,760	310,539	38,586	22,713	755,598
Total Noncurrent Assets	383,760	319,271	38,586	22,713	764,330
Total Assets	433,959	336,129	60,581	39,889	870,558

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 3,663	$ 2,116	$ 1,309	$ 9,117	$ 16,205
Accrued expenses	1,769	676	576	178	3,199
Accrued interest payable	313	-	193	52	558
Compensated absences	1,108	-	-	-	1,108
Due to other funds	7,954	12,880	-	12,310	33,144
Deferred revenue	-	-	51	-	51
General obligation debt payable - current	1,989	268	1,722	508	4,487
Revenue bonds payable - current	915	-	-	-	915
Total Current Liabilities	17,711	15,940	3,851	22,165	59,667
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	4,740	-	-	4,740
Accrued interest payable	-	469	-	-	469
Total Current Liabilities Payable from Restricted Assets	-	5,209	-	-	5,209
Noncurrent Liabilities:					
General obligation debt	15,455	3,666	9,071	2,750	30,942
Revenue bonds payable	9,400	97,523	-	-	106,923
Other post employment benefits obligation	1,581	580	437	97	2,695
Total Noncurrent Liabilities	26,436	101,769	9,508	2,847	140,560
Total Liabilities	44,147	122,918	13,359	25,012	205,436
Net Assets:					
Invested in capital assets, net of related debt	356,001	203,873	27,793	19,455	607,122
Restricted for Debt Service	655	10,280	-		10,935
Unrestricted	33,156	(942)	19,429	(4,578)	47,065
Total Net Assets	**$ 389,812**	**$ 213,211**	**$ 47,222**	**$ 14,877**	**$ 665,122**

The notes to the financial statements are an integral part of this statement.

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CITY OF MILWAUKEE

Exhibit B-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	$ 59,626	$ -	$ -	$ -	$ 59,626
Statutory sewer user fee	-	-	-	38,968	38,968
Sewer maintenance fee	-	40,724	-	-	40,724
Rent	-	-	7,842	5,017	12,859
Fire protection service	6,384	-	-	-	6,384
Parking meters	-	-	3,803	-	3,803
Parking permits	-	-	3,014	-	3,014
Vehicle towing	-	-	6,725	-	6,725
Parking forfeitures	-	-	22,223	-	22,223
Other	7,527	-	-	1,111	8,638
Total Operating Revenues	73,537	40,724	43,607	45,096	202,964
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges	-	-	-	35,429	35,429
Employee services	-	8,179	7,437	1,888	17,504
Administrative and general	6,631	-	-	42	6,673
Depreciation	13,117	4,409	2,060	1,219	20,805
Transmission and distribution	19,875	-	-	3,318	23,193
Services, supplies, and materials	-	8,155	15,015	1,051	24,221
Water treatment	13,698	-	-	-	13,698
Water pumping	7,271	-	-	-	7,271
Billing and collection	2,789	-	-	1,333	4,122
Total Operating Expenses	63,381	20,743	24,512	44,280	152,916
Operating Income	10,156	19,981	19,095	816	50,048
Nonoperating Revenues (Expenses):					
Investment income	670	309	-	-	979
Interest expense	(1,181)	(3,424)	(550)	(120)	(5,275)
Gain (Loss) on disposal of fixed assets	-	-	(16)	-	(16)
Other	194	(5,000)	354	(1)	(4,453)
Total Nonoperating Revenues (Expenses)	(317)	(8,115)	(212)	(121)	(8,765)
Income before Contributions and Transfers	9,839	11,866	18,883	695	41,283
Capital contributions	900	3,779	-	5,524	10,203
Transfers in	-	-	-	667	667
Transfers out	(8,696)	(9,310)	(18,695)	(2,018)	(38,719)
Change in Net Assets	2,043	6,335	188	4,868	13,434
Total Net Assets - Beginning	387,769	206,876	47,034	10,009	651,688
Total Net Assets - Ending	**$ 389,812**	**$ 213,211**	**$ 47,222**	**$ 14,877**	**$ 665,122**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit B-3

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ 73,075	$ 39,831	$ 43,771	$ 41,644	$ 198,321
Payments to suppliers	(19,611)	(6,801)	(14,999)	(41,178)	(82,589)
Payments to employees	(24,061)	(7,829)	(7,162)	(1,810)	(40,862)
Payments from other funds	-	7,429	-	3,348	10,777
Payments to other funds	(6,610)	-	-	(391)	(7,001)
Net Cash Provided by Operating Activities	22,793	32,630	21,610	1,613	78,646
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	194	-	-	-	194
Other nonoperating expenses	-	(5,000)	-	-	(5,000)
Transfers from other funds	-	-	-	667	667
Transfers to other funds	(8,696)	(9,310)	(18,695)	(2,018)	(38,719)
Net Cash Used for Noncapital Financing Activities	(8,502)	(14,310)	(18,695)	(1,351)	(42,858)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	200	-	379	579
Proceeds from sale of bonds and notes	-	36,217	1,228	54	37,499
Proceeds from sale of revenue bonds	-	-	-	-	-
Acquisition of property, plant, and equipment	(19,708)	(26,326)	(1,218)	(32)	(47,284)
Retirement of bonds, notes, and revenue bonds	(3,737)	(23,284)	(2,219)	(483)	(29,723)
Interest paid	(1,243)	(4,063)	(554)	(180)	(6,040)
Other	-	-	354	-	354
Net Cash Used for Capital and Related Financing Activities	(24,688)	(17,256)	(2,409)	(262)	(44,615)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	767	331	-	-	1,098
Net Increase (Decrease) in Cash and Cash Equivalents	(9,630)	1,395	506	-	(7,729)
Cash and Cash Equivalents - Beginning	29,182	8,885	21,485	-	59,552
Cash and Cash Equivalents - Ending	**$ 19,552**	**$ 10,280**	**$ 21,991**	**$ -**	**$ 51,823**

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:					
Unrestricted Cash	$ 18,897	$ -	$ 21,991	$ -	$ 40,888
Restricted Cash	655	10,280	-	-	10,935
	$ 19,552	$ 10,280	$ 21,991	$ -	$ 51,823
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	$ 10,156	$ 19,981	$ 19,095	$ 816	$ 50,048
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	13,117	4,409	2,060	1,219	20,805
Changes in assets and liabilities:					
Receivables	(901)	(1,642)	142	(3,379)	(5,780)
Due from other funds	(80)	748	-	583	1,251
Due from other governmental agencies	-	-	-	(73)	(73)
Inventories	14	-	-	-	14
Prepaid items	(354)	-	-	-	(354)
Other assets	(182)	-	-	-	(182)
Accounts payable	625	1,354	15	(5)	1,989
Accrued liabilities	398	351	275	78	1,102
Due to other funds	-	7,429	-	2,374	9,803
Deferred revenue	-	-	23	-	23
Net Cash Provided by Operating Activities	$ 22,793	$ 32,630	$ 21,610	$ 1,613	$ 78,646

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $.9 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $109,497 with a net value of $0, and, received donated assets in the amount of $3.779 million.

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit C-1

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

DECEMBER 31, 2008

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	**Private-Purpose Trusts**	**Agency Funds**
ASSETS			
Cash and cash equivalents	$ 357	$ 2,812	$ 327,148
Investments	-	3,140	-
Total Assets	357	5,952	**$ 327,148**
LIABILITIES			
Liabilities:			
Accounts payable	6	2	1,312
Due to other governmental agencies	-	-	325,836
Total Liabilities	6	2	**$ 327,148**
Net Assets			
Employees' pension benefits			
and other purposes	**$ 351**	**$ 5,950**	

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit C-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	**Private-Purpose Trusts**
Additions		
Contributions:		
Plan members	$ 1,366	$ -
Private donations	-	1,027
Total Contributions	1,366	1,027
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	323
Total Additions	1,366	1,350
Deductions		
Benefits	1,288	-
Fees remitted from Trust	-	598
Other	-	217
Total Deductions	1,288	815
Change in Net Assets	78	535
Net Assets - Beginning	273	5,415
Net Assets - Ending	**$ 351**	**$ 5,950**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 24,779	$ 27,286	$ 3,589	$ 1,750	$ 57,404
Investments	2,959	300	-	300	3,559
Receivables (net):					
Accounts	1,581	261	69	72	1,983
Notes and loans	32,944	18,000	39,491	485	90,920
Accrued interest	3,306	76	196	111	3,689
Due from primary government	-	118	-	-	118
Due from other governmental agencies	1,594	366	15,592	-	17,552
Inventory of property for resale	-	3,888	1,540	2,497	7,925
Prepaid items	852	45	-	-	897
Deferred charges	256	859	-	-	1,115
Other assets	403	-	101	-	504
Total Noncapital Assets	68,674	51,199	60,578	5,215	185,666
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	40,704	13,483	-	-	54,187
Construction in progress	2,301	-	-	-	2,301
Capital assets being depreciated:					
Buildings	387,536	92,988	-	-	480,524
Infrastructure	-	789	-	-	789
Improvements other than buildings	731	800	-	-	1,531
Machinery and equipment	3,085	-	192	-	3,277
Accumulated depreciation	(226,625)	(5,764)	(109)	-	(232,498)
Total Capital Assets, Net of Depreciation	207,732	102,296	83	-	310,111
Total Assets	276,406	153,495	60,661	5,215	495,777

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 3,424	$ 2,837	$ 492	$ 313	$ 7,066
Accrued expenses	3,929	2,583	-	-	6,512
Due to other governmental agencies	1,069	956	150	-	2,175
Deferred revenue	20	894	-	232	1,146
Other liabilities	2,989	2,648	969	331	6,937
Total Current Liabilities	11,431	9,918	1,611	876	23,836
Due to primary government:					
Due within one year	706	-	-	59	765
Due in more than one year	-	16,257	1,412	-	17,669
Total Due to Primary Government	706	16,257	1,412	59	18,434
Long-term obligations:					
Due within one year	5,278	-	-	-	5,278
Due in more than one year	43,887	86,347	4,147	-	134,381
Total Noncurrent Liabilities	49,165	86,347	4,147	-	139,659
Total Liabilities	61,302	112,522	7,170	935	181,929
NET ASSETS:					
Invested in capital assets, net of related debt	161,161	25,824	-	-	186,985
Restricted	8,687	4,324	-	1,185	14,196
Temporarily restricted	-	-	8,184	-	8,184
Unrestricted	45,256	10,825	45,307	3,095	104,483
Total Net Assets	**$ 215,104**	**$ 40,973**	**$ 53,491**	**$ 4,280**	**$ 313,848**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit D-2

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Housing Authority				
Low income housing	$ 85,254	$ 19,876	$ 48,509	$ 11,833
Redevelopment Authority				
Prevention and elimination of blight	11,772	5,997	5,021	3,263
Milwaukee Economic Development Corporation				
Increase employment and expansion of business	4,830	3,505	772	-
Neighborhood Improvement Development Corp.				
Housing improvements	636	459	1,296	-
Total Component Units	$102,492	$ 29,837	$ 55,598	$ 15,096

General revenues:
Miscellaneous ....

Total General Revenues ....

Change in Net Assets ....

Net Assets - Beginning..........

Net Assets - Ending ....

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	**Redevelopment Authority**	**Milwaukee Economic Development Corporation**	**Neighborhood Improvement Development Corporation**	**Total**
$ (5,036)	$ -	$ -	$ -	$ (5,036)
-	2,509	-	-	2,509
-	-	(553)	-	(553)
-	-	-	1,119	1,119
(5,036)	2,509	(553)	1,119	(1,961)
6,664	615	379	37	7,695
6,664	615	379	37	7,695
1,628	3,124	(174)	1,156	5,734
213,476	37,849	53,665	3,124	308,114
$ 215,104	**$ 40,973**	**$ 53,491**	**$ 4,280**	**$ 313,848**

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a non-profit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; and NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employes' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the GASB Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

Related Organizations

Milwaukee Area Workforce Investment Board

The Milwaukee Area Workforce Investment Board (MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. MAWIB acts as the recipient, dispenser, and administer of funding provided under the Workforce Development Act for Milwaukee County.

The Governor designated the Mayor of the City of Milwaukee as Milwaukee County's chief local elected officer for the Workforce Investment Act of 1998. The directors of the MAWIB are appointed by the Mayor in accordance with the Workforce Investment Act. The City is not legally obligated for any of MAWIB obligations or debt. The City is not entitled to access funds of the Milwaukee Area Workforce Investment Board.

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works – All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities, and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire landscape and construct parking lots and structures.

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for employee flexible spending plans.

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2008 that will be collected in 2009 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines, and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day-to-day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association, which are authorized to transact business in the State of Wisconsin.

- Bonds or securities issued or guaranteed by the Federal government.

- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.

- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.

- Any Security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating, which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.

- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.
The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2008 is $2,280,000.

H. Unbilled Services

Unbilled water and sewer services at year-end are recognized as revenues and receivables in the accompanying financial statements.

I. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is $9,362,000 as of December 31, 2008.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

M. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks, and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

P. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary, and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

S. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

T. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

U. Interfund Transactions

The City has the following types of interfund transactions:

***Loans* –** amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

V. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. New Accounting Pronouncements

In 2008, the City implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. As a result of implementing this standard, the City recorded a liability for Pollution remediation obligations of $2,413,000 as of January 1, 2008. This resulted in a reduction of beginning net assets for governmental activities from $376,168,000 to $373,755,000.

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The City will implement this Statement beginning with the year ending December 31, 2011.

X. Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

2. DEPOSITS AND INVESTMENTS

A. Primary Government

The description of the City's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2008, the City's deposits and investments are as follows:

		Investment Maturities (in Years) (Thousands of Dollars)			
	Fair Value	Less than 1	1-5	6-10	Credit Rating
Governmental and Business-type activities:					
Investment type					
Pooled Deposits and Investments	$ 189,731	189,731	-	$ -	see below
Segregated Deposits and Investments					
Interest Checking	15,878	15,878	-	-	not rated
Wisconsin Local Government Investment Pool	81,699	81,699	-	-	not rated
U.S. Treasury strips	5,952	3,232	2,194	526	AAA
Treasuries (Fiscal Agent)	8,732	8,732	-	-	AAA
	$ 301,992	$ 299,272	$ 2,194	$ 526	
Fiduciary activities:					
Investment type					
Investments in the Pool	$ 329,896	329,896	$ -	$ -	see below
Other Deposits	300	300	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government Investment Pool	121	121	-	-	not rated
U.S. Treasury strips	3,140	424	1,617	1,099	AAA
	$ 333,457	$ 330,741	$ 1,617	$ 1,099	

Pooled Deposits and Investments

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

As of December 31, 2008, the City had the following investments and maturities in the Pool:

		Investment Maturities (in Years) *(Thousands of Dollars)*			
	Fair Value	Less than 1	1-5	6-10	Credit Rating
Pooled Deposits and Investments					
Bank Demand Deposits	$ 65,657	$ 65,657	$ -	$ -	not rated
Other Deposits	888	888	-	-	not rated
Deposits and Investments					
Interest Checking	399,867	399,867	-	-	not rated
Wisconsin Local Government Investment Pool	42,658	42,658	-	-	not rated
Government Money Market	108	108	-	-	AAA
Certificates of Deposits	17,500	17,500	-	-	not rated
	$ 526,678	$ 526,678	$ -	$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. As of December 31, 2008, the City's bank balances of $456,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to $60,000,000 with maturities greater than one year.

Credit risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of $100,000 for interest bearing accounts and $100,000 for noninterest bearing accounts. An additional $400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The component units have the following investments on December 31, 2008:

		Investment Maturities (in Years) (Thousands of Dollars)				
	Fair value	**Less than 1**	**1-2**	**10-15**	**15 and greater**	**Credit Rating**
Component Units:						
Local Government Investment Pool	$ 26,774	$ 26,774	-	-	-	not rated
U.S. Treasury Money Market Fund	8,966	8,966	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	876	-	-	876	-	Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	$ 36,916	$ 36,040	$ -	$ 876	$ -	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2008 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	**Uninsured and Uncollateralized**
Housing Authority	$ 10,202,248	$ 2,363,807
Redevelopment Authority	7,355,849	6,253,091
Milwaukee Economic Development Corporation	3,150,405	1,748,566
Neighborhood Improvement Development Corporation	2,093,365	849,165

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2008, the Housing Authority had investments of $876,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had $8,966,000 of investments exposed to custodial credit risk as uninsured and uncollaterialized as of December 31, 2008.

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2008, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	**Purchased Taxes Receivable**	**Total**
	(Thousands of Dollars)		
2003 and prior	$ 960	$ 1,391	$ 2,351
2004	497	723	1,220
2005	656	984	1,640
2006	2,278	3,516	5,794
2007	9,484	15,187	24,671
Total delinquent property taxes receivable	$ 13,875	$ 21,801	35,676
Property taxes receivable on foreclosed property			14,864
Less: Allowance for uncollectible taxes			(16,434)
Net delinquent property taxes receivable, including tax deeded property			$ 34,106

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

Governmental activities	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 163,769	$ 408	$ 380	$ 163,797
Construction in progress	106,357	29,592	12,181	123,768
Total capital assets not being depreciated	270,126	30,000	12,561	287,565
Capital assets being depreciated:				
Buildings	194,137	1,730	1,085	194,782
Infrastructure	1,337,345	19,852	1,548	1,355,649
Improvements other than buildings	11,198	664	289	11,573
Machinery and equipment	145,659	20,496	3,582	162,573
Total capital assets being depreciated	1,688,339	42,742	6,504	1,724,577
Less accumulated depreciation for:				
Buildings	71,381	4,487	1,084	74,784
Infrastructure	855,033	30,394	1,549	883,878
Improvements other than buildings	7,427	323	281	7,469
Machinery and equipment	82,681	11,352	3,497	90,536
Total accumulated depreciation	1,016,522	46,556	6,411	1,056,667
Total capital assets being depreciated, net	671,817	(3,814)	93	667,910
Government activity capital assets, net	$ 941,943	$ 26,186	$ 12,654	$ 955,475

Depreciation expense for governmental activities was charged to functions as follows:	
General government	$ 344
Public safety	7,125
Public works	38,377
Health	172
Culture and recreation	538
Total	$ 46,556

Business-type activities	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		(Thousands of Dollars)		
Water Works				
Capital assets not being depreciated:				
Land	$ 1,568	$ 368	$ -	$ 1,936
Construction in progress	12,249	17,122	18,396	10,975
Total capital assets not being depreciated	13,817	17,490	18,396	12,911
Capital assets being depreciated:				
Buildings	21,292			21,292
Infrastructure	318,139	14,261	1,258	331,142
Machinery and equipment	201,182	4,135	3,735	201,582
Nonutility property	5,317	2,524	2,332	5,509
Total capital assets being depreciated	545,930	20,920	7,325	559,525
Less accumulated depreciation for:				
Buildings	13,988	675		14,663
Infrastructure	75,947	3,644	1,267	78,324
Machinery and equipment	89,788	8,798	3,680	94,906
Nonutility property	2,926	193	2,336	783
Total accumulated depreciation	182,649	13,310	7,283	188,676
Total capital assets being depreciated, net	363,281	7,610	42	370,849
Water Works capital assets, net	377,098	25,100	18,438	383,760
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	36,800	23,292	13,788	46,304
Total capital assets not being depreciated	36,800	23,292	13,788	46,304
Capital assets being depreciated:				
Infrastructure	346,382	20,363	110	366,635
Machinery and equipment	4,282	38	-	4,320
Total capital assets being depreciated	350,664	20,401	110	370,955
Less accumulated depreciation for:				
Infrastructure	100,802	4,073	110	104,765
Machinery and equipment	1,619	336	-	1,955
Total accumulated depreciation	102,421	4,409	110	106,720
Total capital assets being depreciated, net	248,243	15,992	-	264,235
Sewer Maintenance capital assets, net	285,043	39,284	13,788	310,539

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		(Thousands of Dollars)		
Parking				
Capital assets not being depreciated:				
Land	$ 8,440	$ -	$ -	$ 8,440
Construction in progress	3,650	1,037	-	4,687
Total capital assets not being depreciated	12,090	1,037	-	13,127
Capital assets being depreciated:				
Buildings	50,645	-	-	50,645
Improvements other than buildings	5,429	-	-	5,429
Machinery and equipment	1,496	182	33	1,645
Total capital assets being depreciated	57,570	182	33	57,719
Less accumulated depreciation for:				
Buildings	26,234	1,769	-	28,003
Improvements other than buildings	3,252	142	-	3,394
Machinery and equipment	731	149	17	863
Total accumulated depreciation	30,217	2,060	17	32,260
Total capital assets being depreciated, net	27,353	(1,878)	16	25,459
Parking capital assets, net	39,443	(841)	16	38,586
Other business-type activities:				
Capital assets not being depreciated:				
Land	4,853	2,938	-	7,791
Construction in progress	-	-	-	-
Total capital assets not being depreciated	4,853	2,938	-	7,791
Capital assets being depreciated:				
Buildings	13,063	421	-	13,484
Infrastructure–port	19,609	1,603	5,656	15,556
Improvements other than buildings	3,516	142	1,370	2,288
Machinery and equipment	4,831	30	142	4,719
Total capital assets being depreciated	41,019	2,196	7,168	36,047
Less accumulated depreciation for:				
Buildings	6,385	411	-	6,796
Infrastructure–port	14,281	500	6,045	8,736
Improvements other than buildings	1,509	133	26	1,616
Machinery and equipment	3,941	175	139	3,977
Total accumulated depreciation	26,116	1,219	6,210	21,125
Total capital assets being depreciated, net	14,903	977	958	14,922
Other business-type activities, net	19,756	3,915	958	22,713
Business-type activity capital assets, net	$ 721,340	$ 67,458	$ 33,200	$ 755,598

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 57,966	$ 5,486	$ 9,265	$ 54,187
Construction in Progress	49,206	5,561	52,466	2,301
Total capital assets not being depreciated	107,172	11,047	61,731	56,488
Capital assets being depreciated:				
Buildings	425,639	55,366	481	480,524
Infrastructure	-	789	-	789
Improvements other than buildings	599	932	-	1,531
Machinery and equipment	4,241	390	1,354	3,277
Total capital assets being depreciated	430,479	57,477	1,835	486,121
Less accumulated depreciation for:				
Buildings	217,666	12,908	1,000	229,574
Infrastructure	-	13	-	13
Improvements other than buildings	128	79	-	207
Machinery and equipment	3,728	276	1,300	2,704
Total accumulated depreciation	221,522	13,276	2,300	232,498
Total capital assets being depreciated, net	208,957	44,201	(465)	253,623
Component units capital assets, net	$ 316,129	$ 55,248	$ 61,266	$ 310,111

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2008 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		(Thousands of Dollars)			
Current property taxes	$ 164,784	$ 94,485	$ 6,506	$ -	$ 265,775
Delinquent property taxes	7,469	-	-	2,002	9,471
Unearned revenue	1,850	-	3,744	7,509	13,103
Long-term receivables	-	30,744	-	3	30,747
Unbilled special assessments	-	-	12,922	-	12,922
Total	$ 174,103	$ 125,229	$ 23,172	$ 9,514	$ 332,018

6. SHORT-TERM DEBT

During 2008, the City issued and repaid $90,000,000 of General Obligation Cash Flow Promissory Notes, Series 2008 R5 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2008.

As of December 31, 2007, the City had outstanding $188,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2008, the City repaid the outstanding balance and issued $210,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 3% and will mature on September 3, 2009. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2008 were as follows:

	Balance 01-01-08	Additions	Deductions	Balance 12-31-08	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 575,900	$ 231,968	$ 169,971	$ 637,897	$ 75,852
Milwaukee Public Schools	93,504	5,400	11,131	87,773	10,376
Deferred amount on refundings	(6,453)	-	(1,256)	(5,197)	-
Unamortized premiums	25,775	3,694	6,587	22,882	-
Compensated absences	30,784	424	-	31,208	2,434
Net other postemployment benefits obligation	36,877	69,801	30,973	75,705	-
Claims and judgments	25,021	11,245	7,800	28,466	5,755
Total governmental activities	$ 781,408	$ 322,532	$ 225,206	$ 878,734	$ 94,417
Business-type activities					
Water Works					
General obligation bonds and notes	$ 19,896	$ -	$ 2,846	$ 17,050	$ 1,989
Deferred amount on refundings	(519)	-	(162)	(357)	-
Unamortized premiums	942	-	191	751	-
Revenue bonds	11,206	-	891	10,315	915
Compensated absences	1,025	83	-	1,108	1,108
Net other postemployment benefits obligation	790	1,903	1,112	1,581	-
Total Water Works	33,340	1,986	4,878	30,448	4,012
Sewer Maintenance					
General obligation bonds and notes	23,635	369	20,070	3,934	268
State Loans	14,369	35,848	564	49,653	2,000
Revenue bonds	53,505	-	2,650	50,855	2,740
Unamortized premiums	1,987	-	232	1,755	-
Net other postemployment benefits obligation	274	735	429	580	-
Total Sewer Maintenance	93,770	36,952	23,945	106,777	5,008
Parking					
General obligation bonds and notes	11,733	1,228	2,218	10,743	1,722
Deferred amount on refundings	(193)	-	(40)	(153)	-
Unamortized premiums	257	-	54	203	-
Net other postemployment benefits obligation	214	536	313	437	-
Total Parking	12,011	1,764	2,545	11,230	1,722
Other Enterprise Funds					
General obligation bonds and notes	3,672	54	483	3,243	508
Deferred amount on refundings	(45)	-	(9)	(36)	-
Unamortized premiums	63		12	51	-
Net other postemployment benefits obligation	45	125	73	97	-
Total Other Enterprise	3,735	179	559	3,355	508
Total business-type activities	$ 142,856	$ 40,881	$ 31,927	$ 151,810	$ 11,250

	Balance 01-01-08	New Issues	Repayments	Balance 12-31-08	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 111,137	$ -	$ 13,938	$ 97,199	$ 495
Unamortized discounts	(110)	-	(6)	(104)	-
Notes payable	25,742	15,077	100	40,719	4,527
Advance from other organizations	-	-	-	-	-
Compensated Absences	765	89	-	854	256
Net other postemployment benefits	500	491	-	991	-
Total component units	$ 138,034	$ 15,657	$ 14,032	$ 139,659	$ 5,278

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2008, general obligation bonds totaling $6,497,505 were issued to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that “The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40% of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below $2,000,000 as a result of such purchases and cancellations.” Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2008, $153,109,402 has been borrowed and outstanding for forty-seven tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to $198,299,783. Tax increments received through 2008 total $197,725,798. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The $87,773,000 of Milwaukee Public School long-term debt outstanding at December 31, 2008 consists of a portion of the City’s general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2008, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately $975,825,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2008, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of $35,848,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2008, installment loans totaling $37,125,000 were issued to provide the school district cash flow, finance building projects, and purchase 2007's delinquent taxes.

During 2008, the City issued General Obligation Commercial Paper Promissory Notes 2008 Program Series C2. Notes were issued to finance various public improvements projects and fiscal requirements of the City. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and note in the long-term obligation table in footnote 7(a) above:

Balance 01-01-08	Additions	Deletions	Balance 12-31-08
-	124,600	20,000	104,600

In order to provide a source for payment of the principal and interest on the General Obligation Commercial Paper Promissory Notes, on January 1, 2008, the City entered into an irrevocable letter of credit and reimbursement agreement with a bank. The letter of credit and reimbursement agreement has an authorized maximum draw of $125 million, and expires on December 1, 2012. Each advance on the letter of credit is due and payable on the 60th day following the date of the draw; however, the agreement allows the bank to make a three-year term loan available upon each advance not repaid within 60 days, for which payments will begin one year after the date the term loan began. Principal payments on the term loan shall be made quarterly. Interest is required to be paid monthly, and the rate varies based on the period the advance is outstanding, as follows:

Period Outstanding	Interest Rate
30 days or less	Prime rate
31 days to 60 days	Prime rate plus 1%
Greater than 60 days (term loan)	Prime rate plus 2%

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2008, the City had no outstanding draws on the letter of credit.

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Governmental activities					
2009	$ 86,228	$ 30,702	$ -	$ -	$ 116,930
2010	72,131	26,070	-	-	98,201
2011	61,112	22,761	-	-	83,873
2012	56,973	19,843	-	-	76,816
2013	53,598	17,079	-	-	70,677
2014-2018	300,701	50,357	-	-	351,058
2019-2023	85,192	9,638	-	-	94,830
2024-2028	9,735	229	-	-	9,964
Total	$ 725,670	$ 176,679	$ -	$ -	$ 902,349
Business-type activities					
Water Works					
2009	$ 1,989	$ 850	$ 915	$ 260	$ 4,014
2010	2,492	753	939	236	4,420
2011	2,966	634	964	211	4,775
2012	2,492	494	989	185	4,160
2013	2,101	359	1,015	158	3,633
2014-2018	4,988	450	5,493	370	11,301
2019-2020	22	1	-	-	23
Total	$ 17,050	$ 3,541	$ 10,315	$ 1,420	$ 32,326
Sewer Maintenance					
2009	$ 268	$ 176	$ 4,740	$ 3,552	$ 8,736
2010	269	164	4,888	3,391	8,712
2011	272	153	5,038	3,218	8,681
2012	273	141	5,198	3,031	8,643
2013	293	129	5,374	2,829	8,625
2014-2018	1,451	447	29,987	10,744	42,629
2019-2023	1,108	111	31,233	4,396	36,848
2024-2028	-	-	14,050	811	14,861
Total	$ 3,934	$ 1,321	$ 100,508	$ 31,972	$ 137,735
Parking					
2009	$ 1,722	$ 519	$ -	$ -	$ 2,241
2010	1,319	422	-	-	1,741
2011	1,251	360	-	-	1,611
2012	1,094	300	-	-	1,394
2013	973	248	-	-	1,221
2014-2018	3,313	611	-	-	3,924
2019-2023	1,071	100	-	-	1,171
Total	$ 10,743	$ 2,560	$ -	$ -	$ 13,303

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
		(Thousands of Dollars)			
Other Enterprise					
2009	$ 508	$ 158	$ -	$ -	$ 666
2010	429	133	-	-	562
2011	429	111	-	-	540
2012	388	89	-	-	477
2013	350	70	-	-	420
2014-2018	967	133	-	-	1,100
2019-2023	172	12	-	-	184
Total	$ 3,243	$ 706	$ -	$ -	$ 3,949
Total Component Units					
2009	$ 4,527	$ 1,239	$ 495	$ 3,355	$ 9,616
2010	131	1,180	515	3,330	5,156
2011	142	1,172	535	3,305	5,154
2012	149	1,162	570	3,277	5,158
2013	162	1,152	600	3,247	5,161
2014-2018	6,223	5,505	1,300	15,735	28,763
2019-2023	2,512	4,845	6,784	14,751	28,892
2024-2028	246	4,535	19,005	13,515	37,301
2029-2033	340	4,335	-	13,176	17,851
2034-2038	2,361	3,752	-	13,176	19,289
2039-2043	4,898	3,100	67,395	4,389	79,782
2044-2048	16,547	1,599	-	-	18,146
2049-2053	36	378	-	-	414
2054-2058	2,445	220	-	-	2,665
Total	$ 40,719	$ 34,174	$ 97,199	$ 91,256	$ 263,348

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2008, the City's legal debt margin was $1,542,702,000. Of this amount, $637,744,000 was for school purposes and $904,958,000 was for City purposes.

G. Refundings

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2008, $144,000,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2008 is approximately $48,900,441 for the City and $560,000,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

Plan Description **–** The City makes contributions to the Employes' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employes' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy **–** Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2008, 2007, and 2006, were $23,532,000, $23,330,000, and $22,751,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

Plan Description. The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes a Health Maintenance Organization (HMO) plan currently offered to active employees. The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or at age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters and police officers with single enrollment status. The City contribution for firefighters and police officers between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical, and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2008, the City and plan members receiving benefits paid approximately $31,820,000 and $1,080,000, respectively, toward medical and life insurance for retirees.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you basis), and the changes in the City's net OPEB obligation:

ARC	$ 72,900,000
Interest on Net OPEB Obligation	1,700,000
Adjustment to ARC	(1,500,000)
Annual OPEB Cost	73,100,000
Contribution made	32,900,000
Increase in net OPEB Obligation	40,200,000
Net OPEB obligation - beginning of year	38,200,000
Net OPEB obligation - end of year	$ 78,400,000

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$ 67,600,000	43.5%	$ 38,200,000
12/31/2008	73,100,000	45.0%	78,400,000

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $880,700,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $880,700,000. The covered payroll (annual payroll of active employees covered by the plan) was $425,400,000 and the ratio of the UAAL to the covered payroll was 207 percent.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 10% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for inflation is 3% and wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between $45 and $65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between $21 and $30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2008, approximately $9,564,000 was paid for sick leave from all funds. At December 31, 2008, accumulated sick leave earned but not taken totaled approximately $167,133,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2008, terminal leave payments totaled $1,715,000 to employees retiring during the year. As of December 31, 2008, the City has accrued approximately $15,112,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $31,208,000 with the remainder accrued vacation leave of $16,096,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, $42,418,000 at December 31, 2008, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of $13,367,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the $13,367,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund had a deficit fund balance of $37,351,000 as of December 31, 2008, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2009.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2008:

Due To	Due From: General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
	(Thousands of Dollars)				
General Fund	$ -	$ 1,438	$ -	$ -	$ 1,438
General Obligation Debt	-	2,840	-	-	2,840
Capital Projects	18,987	-	-	-	18,987
Nonmajor Governmental Funds	7,516	-	-	-	7,516
Water Works	6,883	-	537	534	7,954
Sewer Maintenance	12,880	-	-	-	12,880
Nonmajor Enterprise Funds	12,310	-	-	-	12,310
Totals	$ 58,576	$ 4,278	$ 537	$ 534	$ 63,925

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

Interfund transfers for the year ended December 31, 2008 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 10,421	Funding for debt payments
	Nonmajor Governmental Funds	7,725	Subsidize uncollected property taxes
	Water Works	8,696	Payment in Lieu of taxes
	Parking	1,159	Payment in Lieu of taxes
	Parking	17,000	Subsidy for operations
	Nonmajor Enterprise Funds	2,018	Excess earnings of Port
	Subtotal General Fund	**47,019**	
Debt Service	General	90,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	23,890	Funding for debt payments
	Capital Projects	686	Tax Incremental District closeouts
	Nonmajor Governmental Funds	15,505	Funding for debt payments
	Sewer Maintenance	9,310	Subsidy for operations
	Parking	536	Subsidy for operations
	Subtotal Debt Service	**142,003**	
Public Debt Amortization	Debt Service	11,192	Funding for debt payments
	Subtotal Public Debt Amortization	**11,192**	
Capital Projects	Public Debt Amortization	859	Subsidy for operations
	Subtotal Capital Projects	**859**	
Nonmajor Enterprise	General Fund	4	Subsidy for operations
	General Obligation Debt	663	Funding for debt payments
	Subtotal Nonmajor Proprietary	**667**	
	Total Interfund Transfers	**$ 201,740**	

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2008:

Component Unit Payable	**Primary Government's Receivable** *(Thousands of Dollars)*
Due from HACM for reimbursable expenditues	$ 706
Due from HACM for payment in lieu of taxes	
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	15,486
Due from RACM for reimbursable expenditures	771
Due from RACM for	
Due from MEDC for tax incremental district loans	1,412
Due from NIDC for home and Community Development Block grants	59
Due from NIDC for reimbursements for expenditures	-
Total	$ 18,434

Component Unit Receivable	**Primary Government's Payable** *(Thousands of Dollars)*
Due to RACM Community Development Block grants and Home grants..	$ 118
Total	$ 118

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2008 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
(Thousands of Dollars)	
2009	$ 3,934
2010	4,100
2011	3,792
2012	3,744
2013	3,779
2014-2018	13,904
2019-2023	7,642
2024-2028	2,709
2029 and beyond	7,606
Total	$ 51,210

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2008, expenditures exceeded appropriations for services and salaries in the operations division of the Department of Public Works within the General Fund by $2,645,000. The Council has approved the issuance of general obligation debt to provide funding for these over-expenditures.

14. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statements.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries, or death in any action founded on fact against the City, agencies, officials, officers, or employees cannot exceed $50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide financial statements.

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2008 are as follows:

General liability claims	$ 8,888,000
Workers' compensation claims	14,705,000
Unemployment claims	1,080,000
Health insurance claims	1,291,000
Pollution remediation obligation	2,502,000

Changes in the balances of claim liabilities during the past two years are as follows:

	2007	2008
Beginning of year liability	$ 24,991,000	$ 25,021,000
Current year claims and changes in estimates	10,740,000	11,245,000
Claim payments	(10,710,000)	(7,800,000)
End of year liability	$ 25,021,000	$ 28,466,000

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employes' Retirement System (ERS) was prohibited by City ordinance from spending more than $3 million to purchase and install a computer information system. It is estimated that the total cost of ERS information system is approximately $25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP), has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. The City is preparing a summary judgment to motion to dismiss the case.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. 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 and he did suffer severe injuries. The off-duty 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 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 officers involved in the matter were acting within the scope of their employment. All above-mentioned cases have been consolidated and all proceedings had been stayed pending the outcome of criminal trials. 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 one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

Environmental Liabilities

The financial reporting impact and effect for the City from the implementation of GASB Statement No. 49 was the recognition in the City's financial statements of an expense and liability of $2.4 million on January 1, 2008. The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of $563,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, clean up is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

During 2008, the City spent $621,000 in pollution remediation-related activities. At December 31, 2008, the City has an outstanding liability of $2.5 million related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued $980,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.
GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's,* establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of $31,690,000 and $8,056,000, respectively, for various capital improvement projects at December 31, 2008.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2008.

15. SUBSEQUENT EVENTS

On February 4, 2009, the City issued $93,180,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 15 of each year beginning 2010 until 2019. Interest is payable on February 15 and August 15 commencing February 15, 2010.

On February 4, 2009, the City issued $17,450,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2020 until 2024. Interest is payable on February 15 and August 15 commencing February 15, 2020.

On March 17, 2009, the City issued $116,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 17, 2009 with interest.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILWAUKEE

Exhibit E-1

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Budgeted Amounts Original Budget	Budgeted Amounts Final Budget	Actual - Amounts Budgetary Basis	Variance Positive (Negative)
Revenues:				
Property taxes	$ 149,263	$ 149,263	$ 141,573	$ (7,690)
Other taxes	3,925	3,925	4,839	914
Licenses and permits	12,911	12,911	12,918	7
Intergovernmental	271,264	271,264	271,100	(164)
Charges for services	77,296	80,125	86,410	6,285
Fines and forfeits	5,502	5,502	5,277	(225)
Other	15,443	15,443	12,864	(2,579)
Total Revenues	535,604	538,433	534,981	(3,452)
Expenditures:				
Current:				
General government	218,167	201,798	199,004	2,794
Public safety	254,047	266,729	266,370	359
Public works	89,035	100,621	103,149	(2,528)
Health	10,514	10,279	10,118	161
Culture and recreation	17,081	17,127	16,782	345
Conservation and development	3,226	3,485	3,456	29
Total Expenditures	592,070	600,039	598,879	1,160
Deficiency of Revenues over Expenditures	(56,466)	(61,606)	(63,898)	(2,292)
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	4,246	94,246	90,000
Transfers in	27,186	33,375	42,787	9,412
Transfers out	-	(4)	(92,080)	(92,076)
Contributions received	27,450	27,450	21,532	(5,918)
Contributions used	(27,541)	(28,784)	(22,019)	6,765
Use of fund balance - reserved for tax stabilization	29,457	29,457	29,457	-
Total Other Financing Sources and Uses	56,552	65,740	73,923	8,183
Net Change in Fund Balance	86	4,134	10,025	5,891
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	61,396	61,396	61,396	-
Fund Balance - Ending	**$ 61,482**	**$ 65,530**	**$ 71,421**	**$ 5,891**

Explanation of Differences of Budget to GAAP:
For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is $29.457 million at January 1, 2008.
Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.
See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	-	$ 806,300,000	$ 806,300,000	0.0%	$ 412,731,863	195.4%
7/1/2008	-	880,700,000	880,700,000	0.0%	425,360,370	207.0%

See accompanying independent auditors' report.

Budgets and Budgetary Accounting

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Required Supplementary Information Budgetary Comparison Schedule and in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	10% initial
	4.5% ultimate

REMAINDER OF FINANCIAL SECTION
Combined and Individual Fund Statements and Schedules
Miscellaneous Financial Data

STATISTICAL SECTION

Pages 99-155 Omitted

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APPENDIX B

Draft Form of Legal Opinions

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_______________, 2009

The City Comptroller and the
Commissioners of the Public Debt of the
City of Milwaukee, Wisconsin

We have examined a record of proceedings relating to the issuance of $________,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolutions passed by the Common Council of the City on October 13, 2009 and December 1, 2009.

The Bonds constitute an issue of "corporate purpose bonds" under Section 67.05 of the Wisconsin Statutes, and are issuable in fully registered form in the denominations of $40,000 or any integral multiple thereof. The Bonds are dated _______________, 2009, mature on _______________, 20__ and bear interest from their date at the rate of __________ percentum (________%) per annum payable on _______________ 15, 2010 and quarter-annually thereafter on each March 15, June 15, September 15 and December 15. The Bonds also bear a federal income tax credit at the rate of __________ percentum (________%) per annum determined pursuant to and having the effect provided under Section 54A of the Internal Revenue Code of 1986 (the "Code").

The Bonds are subject to extraordinary mandatory redemption, as a whole or in part, at the redemption price for each Bond to be redeemed equal to the accreted value of the Bond on the redemption date, on March 15, 2013 and on any March 15, June 15, September 15 or December 15 thereafter, in accordance with the requirements of Section 54A(d)(2)(B) of the Code regarding the required expenditure of the available project proceeds of the Bonds within the three year period (or permitted extended period) following the date of issuance of the Bonds.

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, the Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Code, and if a taxpayer holds a Bond on one or more "credit allowance dates" (as defined in Section 54A(e)(1) of the Code) occurring during any taxable year, there will be allowed as a credit against the federal income tax imposed on such taxpayer for the taxable year an amount equal to the sum of the credits determined under Section 54A of the Code with respect to such dates. If there is continuing compliance with the requirements of the Code, we are of the opinion that the Bonds will continue to be qualified school construction bonds. Failure to comply with such requirements could result in the loss to the owners of the Bonds of the tax credit provided under Section 54A of the Code with respect to the Bonds.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the treatment of the Bonds as “qualified school construction bonds.” These requirements relate to, among other things, the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, and the use of the property financed with the proceeds of the Bonds. The City has covenanted to comply with these requirements.

Interest and tax credits on the Bonds are not exempt from federal income taxation and interest on the Bonds is not exempt from Wisconsin income taxes.

Section 54A(i) of the Code provides that, under regulations to be prescribed by the Secretary of the Treasury, there may be a separation (including at issuance) of the ownership of a Bond and the entitlement to a tax credit under said Section 54A with respect to such Bond. In case of any such separation, the credit under said Section 54A shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the Bond.

The advice contained herein cannot be used by any taxpayer, including the owners of the Bonds, for the purpose of avoiding penalties related to Federal income tax matters that may be imposed on the taxpayer. Taxpayers, including the owners of the Bonds, should seek advice based upon the taxpayer’s particular circumstances from an independent tax advisor. This notice is intended to comply with the provisions of Section 10.35 of United States Treasury publication Circular 230.

Respectfully submitted,

LG/be

APPENDIX C

Master Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of March 1, 2004 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "City") and pursuant to resolution 031384 duly adopted by the Common Council of the City on February 10, 2004 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I - Definitions

Section 1.1. Definitions. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) "GASB" means the Governmental Accounting Standards Board.

(6) "Material Event" means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the Offered Obligations;
(vii) modifications to rights of Security Holders;
(viii) bond calls;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the Offered Obligations; and
(xi) rating changes.

(7) "Material Event Notice" means notice of a Material Event.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) "NRMSIR" means, at any time, a then existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs and filing information relating to such NRMSIR's are set forth in the Addendum Describing NRMSIRs (Exhibit A) as may be revised from time to time.

(10) "Offered Obligations" means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(11) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(13) "SEC" means the United States Securities and Exchange Commission.

(14) "Security Holders" means the holders from time to time of Offered Obligations.

(15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(16) "State" means the State of Wisconsin.

(17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.

(18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to each NRMSIR and the SID.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR and (ii) the SID.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.7. No Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Unless otherwise required by law and, in the City's sole determination, subject to technical and economic feasibility, the City shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the City's information and notices.

ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.

(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate; (2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By:_______________________________________

Comptroller

ADDENDUM DESCRIBING NRMSIRs

This Addendum Describing NRMSIRs (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission.

Repositories and Contact Information

In December, 2008, the Securities and Exchange Commission modified Exchange Act Rule 15c2-12 to require that Continuing Disclosure filings made after June 30, 2009 shall be made to the Electronic Municipal Market Access ("EMMA"). Pursuant to that modification, continuing disclosure filings will be provided to the Municipal Securities Rulemaking Board for disclosure on the EMMA system, in an electronic format prescribed by the MSRB.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of July, 2009.

CITY OF MILWAUKEE, WISCONSIN

By:___________________________________

Comptroller

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL OBLIGATION DEBT OF THE ISSUER

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.

In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the Issuer, (ii) expenditures made by the Issuer, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning interfund borrowings, (vi) pertinent information on significant pending litigation, (vii) balances, debt limit, and trends of outstanding Issuer obligations, and (viii) statistical information on the economic condition of the City of Milwaukee.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By:_______________________________________

Comptroller

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

$__,000,000 General Obligation Corporate Purpose Bonds
Qualified School Construction Bonds, Series 2009 M6 (Tax Credit)

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issues:

December __, 2009

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this ___ day of December, 2009.

CITY OF MILWAUKEE, WISCONSIN

By:_______________________________________
Comptroller

WMM:RSL

APPENDIX D

Fiscal Agency Agreement

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THIS FISCAL AGENCY AGREEMENT dated as of December 22, 2009 (the "Agreement"), by and between the City of Milwaukee, a political subdivision and a municipal corporation of the State of Wisconsin (the "City"), and Deutsche Bank National Trust Company, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, with a corporate trust office located in Chicago, Illinois, as Fiscal Agent (the "Fiscal Agent").

W I T N E S S E T H:

WHEREAS, Milwaukee Public Schools ("MPS") is a department of the City authorized to administer and operate the public schools of the City; and

WHEREAS, pursuant to Chapter 67 of the Wisconsin Statutes, the City is authorized to borrow moneys for school purposes and to evidence such borrowing by the issuance of corporate purpose bonds of the City constituting general obligations of the City; and

WHEREAS, pursuant to Section 54F of the Internal Revenue Code of 1986 (the "Code") MPS is a "large local educational agency" and, in accordance with said Section 54F and Internal Revenue Service Notice 2009-35, the City is authorized to designate and issue, in 2009, up to $72,118,000 principal amount of "qualified school construction bonds," as defined in Section 54F of the Code (a "QSCB") for financing capital projects for school purposes (the "Project"); and

WHEREAS, pursuant to Section 54A of the Code, if a taxpayer holds a QSCB on one or more credit allowance dates of the QSCB during any taxable year, there is allowed a credit (the "Tax Credit") against federal income tax as determined under said Section 54A; and

WHEREAS, pursuant to resolutions adopted by the Common Council of the City, the City is authorized to issue $57,000,000 aggregate principal amount of its general obligation bonds for school purposes as QSCBs; and

WHEREAS, pursuant to Common Council Resolution File Number 090814; adopted on December 1, 2009 and Resolution Number 091203-1 adopted by the Commissioners of the Public Debt of the City on December 9, 2009, the City has (i) authorized and sold the $_______________ principal amount of General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds") of the City for financing Project costs, (ii) designated the Bonds as qualified school construction bonds under Section 54F of the Code and (iii) pursuant to Section 54A of the Code has authorized a separation of the ownership of each Bond and the entitlement to the Tax Credit under Section 54A of the Code with respect to that Bond; and

WHEREAS, the City and the Fiscal Agent are entering into this Agreement in order to enhance the marketability of the Bonds; to administer a sinking fund for the payment of the principal of the Bonds; to provide for the execution and authentication of the Bonds and to provide for the sale of the Tax Credits with respect to the Bonds; and

NOW, THEREFORE, the City and the Fiscal Agent hereby agree as follows:

ARTICLE I

Definitions and Construction

Section 101. Definitions. The following terms shall, for all purposes of this Agreement, have the following meanings unless a different meaning clearly appears from the context:

"*Accountable Event of Loss of Qualified School Construction Bond Status*" means (i) 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 Agreement or the Tax Agreement, which causes the Bonds to lose their status, or fail to qualify, as "qualified school construction bonds" within the meaning of Section 54F of the Code, or (ii) the making by the City of any representation contained in the Agreement, the Tax Agreement or the Bonds, as applicable, which 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 "qualified school construction bonds" within the meaning of Section 54F of the Code.

"*Agreement*" means this Fiscal Agency Agreement.

"*Annual Sinking Fund Payment*" means, with respect to each year, the required deposit to the Sinking Fund determined pursuant to Section 504.

"*Authorized Denomination*" means (i) with respect to Bonds, Interest Bearing Bonds and Principal Strip Certificates thereof, $40,000 or any integral multiple thereof; and (ii) with respect to Tax Credit Certificates and Cash Interest Certificates for any single Tax Credit Allowance Date, $_______________, which is an amount equal to twenty-five percent (25%) of the product of (A) $40,000 and (B) the Tax Credit Rate, or any integral multiple thereof; provided, however that the Authorized Denomination for Tax Credit Certificates with respect to the first Tax Credit Allowance Date shall be $_______________.

"*Authorized Officer*" means the City Comptroller, the Deputy City Comptroller and any other officer or employee of the City authorized to perform specific acts or duties hereunder.

"*Available Project Proceeds*" means (A) the excess of (i) the proceeds of sale of the Bonds, over (ii) the issuance costs financed by the Bonds (to the extent that such costs do not exceed two percent of such proceeds), and (B) the proceeds from any investment of such excess.

"*Bond*" or "*Bonds*" means any one or more of the $_______________ aggregate principal amount of the General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) of the City, authenticated and delivered under and pursuant to this Agreement.

"*Cash Interest Certificates*" means the certificates executed and delivered in accordance with Section 806(A), from and after the Tax Credit Conversion Date, which certificates evidence the entitlement of the Owner thereof to the Cash Interest Payment Components with respect to any Bond that has been converted into an Interest Bearing Bond, the Cash Interest Payment Components related to which has been separated therefrom pursuant to the Agreement. The maximum face amount of Cash Interest Certificates with respect to any single Cash Interest Payment Date shall not exceed $_______________ (being twenty-five percent (25%) of the product of (i) the maximum principal amount of Interest Bearing Bonds, or $_______________, and (ii) the Tax Credit Rate).

"*Cash Interest Payment Component*" means, with the exception of the cash interest payments relating to the Supplemental Coupon, any cash interest payment with respect to any Interest Bearing Bond.

"*Cash Interest Payment Date*" means, with respect to Interest Bearing Bonds and Cash Interest Certificates, March 15, June 15, September 15 and December 15 in each year, commencing on the March 15, June 15, September 15 or December 15 immediately following the Tax Credit Conversion Date, during which the Interest Bearing Bonds are outstanding.

"*City*" means the City of Milwaukee, a municipal corporation of the State of Wisconsin.

"*Code*" or "*Code and Regulations*" means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Construction Fund*" means the Construction Fund established in Section 501.

"*Cost of Construction*" means with respect to the Project, the cost of construction, rehabilitation, or repair of a public school facility; the cost of acquisition of land on which such facility is to be constructed with part of the proceeds of the Bonds, and costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the Bonds.

"*Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the City (including the City Attorney).

"*Current Funds*" means moneys which are immediately available in the hands of the payee at the place of payment.

"*Date of Determination of Loss of Qualified School Construction Bond Status*" means the date on which the IRS or a court of competent jurisdiction has issued to the City a Determination of Loss of Qualified School Construction Bond Status.

"*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 lost their status, or failed to qualify, as "qualified school construction bonds" as defined in Section 54F of the Code as a result of an Accountable Event of Loss of Qualified School Construction Bond Status.

"*Defeasance Obligations*" means Government Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Determination of Loss of Qualified School Construction Bond Status*" means (i) a final determination by the IRS (after the City has exhausted or waived 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 and the amount of Bonds that are subject to the Accountable Event of Loss of Qualified School Construction Bond Status, or (ii) 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.

"*DTC*" means The Depository Trust Company, as securities depository for the Bonds and the Tax Credit Certificates.

"*DTC Participant*" shall mean any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Bonds with DTC pursuant to the book-entry only system described in Section 203.

"*Expenditure Termination Date*" means December 22, 2012, the third anniversary date of the date of issuance of the Bonds, and the last date of the "expenditure period" as defined in Section 54A(d)(2)(B)(ii) of the Code or, upon the extension of such "expenditure period" pursuant to Section 54A(d)(2)(B)(iii) of the Code, the last day of the "expenditure period" as so extended.

"*Fiscal Agent*" or "*Fiduciary*" means Deutsche Bank National Trust Company, as fiscal agent under the Agreement and its successors and assigns.

"*Government Obligations*" means any direct obligations of the United States of America.

"*Interest Bearing Bonds*" means the Bonds from and after the Tax Credit Conversion Date, if any.

"*IRS*" means the Internal Revenue Service of the United States Department of the Treasury.

"*Investment Securities*" means any of the following securities or investments authorized by law as permitted investments of City funds at the time of purchase thereof; provided, however that moneys held in the Debt Service Fund and the Sinking Fund may only be invested in accordance with Section 67.11 of the Wisconsin Statutes:

(i) Government Obligations;

(ii) obligations of any of the following federal agencies, which obligations are fully guaranteed by the full faith and credit of the United States of America:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank
- Interest Strips of the Resolution Funding Corporation
- Government National Mortgage Association

(iii) general obligations of states or municipalities rated by both Moody's Investors Service and Standard & Poor's equal to or higher than the general obligation bond rating of the City;

(iv) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's Investors Service and "A-1" or "A-1+" by Standard & Poor's and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(v) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's Investors Service and "A-1+" by Standard & Poor's and which matures not more than 270 calendar days after the date of purchase;

(vi) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's and rated "Aaa" by Moody's Investors Service; and

(vii) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's Investors Service and Standard & Poor's or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Letter of Representations*" means the Blanket Issuer Letter of Representations dated June 22, 1995, between the City and DTC, as the same may from time to time be supplemented and amended.

"*MPS*" means the Milwaukee Public Schools, a department of the City.

"*Outstanding*," when used with reference to Bonds (except in the defined term "Tax Credit Allowance Date"), means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Agreement except:

(i) Any Bonds canceled at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under this Agreement and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Agreement; and

(iv) Bonds deemed to have been paid as provided in Section 1101.

"*Owner*" means (i) with respect to a Bond or Interest Bearing Bond, the Person in whose name such Bond is registered and (ii) with respect to any Principal Strip Certificate, Tax Credit Certificate, or Cash Interest Certificate, the Person in whose name such Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate shall be registered.

"*Person*" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability company, corporation or partnership, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"*Principal Component*" means any principal payment with respect to any Bond or Interest Bearing Bond.

"*Principal Strip Certificates*" means certificates executed and delivered by the City in accordance with Section 803, which certificates evidence the entitlement of the Owner thereof to the Principal Component with respect to any Bond or Interest Bearing Bond, as applicable, the Tax Credit Component or Cash Interest Payment Component related to which have been separated therefrom pursuant to Section 803.

"*Project*" means the construction, rehabilitation, or repair of a public school facility, the acquisition of land on which such public school facility is to be constructed and the acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the Bonds or other QSCBs, all to the extent that the improvement of such public school facility has been approved by MPS.

"*Project Costs*" means the cost of acquisition, construction and equipping of the Project, including the costs of issuance of the Bonds, interest during construction, the cost of engineering and legal expenses, plans, specifications, other expenses necessary or incident to constructing any portion of the Project and such other costs, expenses and funding as may be necessary or incident to the construction of the Project, all to the extent, but only to the extent, such costs may be funded with the proceeds of QSCBs under Section 54A and Section 54F of the Code.

"*Qualified School Construction Bond*" or "*QSCB*" means any "qualified school construction bond" as defined in Section 54F(a) of the Code.

"*Rating Services*" means each and every one of the nationally recognized rating services that shall have assigned ratings to any Bonds Outstanding as requested by or on behalf of the City, and which ratings are then currently in effect.

"*Record Date*" means, with respect to the Bonds, the last day (whether or not a Business Day) of the calendar month immediately preceding each interest payment date.

"*Redemption Price*" means, with respect to any Bond, the accreted value thereof as of, and payable upon, the date fixed for redemption.

"*SLGs*" means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

"*Supplemental Coupon*" means the interest which the Bonds bear (at the Supplemental Coupon Rate) at the time of the issuance thereof (and which Interest Bearing Bonds and the Principal Strip Certificates related to which will continue to bear from and after the Tax Credit Conversion Date, if any).

"*Supplemental Coupon Rate*" means ________% per annum.

"*Tax Agreement*" means the Tax Compliance Agreement, dated the date of issuance of the Bonds, executed by the City and the Fiscal Agent.

"*Tax Credit*" means the entitlement of a taxpayer to recognize a credit against the tax imposed by Chapter 1 of the Code.

"*Tax Credit Allowance Date*" means, with respect to Bonds, each March 15, June 15, September 15 and December 15 of each year beginning on March 15, 2010 and ending on the maturity date thereof unless such Bonds shall have been converted to Interest Bearing Bonds.

"*Tax Credit Certificates*" means the certificates executed and delivered in accordance with Section 803, which certificates evidence the entitlement of the Owner thereof to the Tax Credits with respect to any Bond, the Principal Components related to which have been separated therefrom. The maximum amount of a Tax Credit Certificate with respect to any single Tax Credit Allowance Date shall not exceed $_______________ (being twenty-five percent (25%) of the product of (i) the initial principal amount of the Bonds and (ii) the Tax Credit Rate).

"*Tax Credit Component*" means the component of each Bond relating to the Tax Credits.

"*Tax Credit Conversion Date*" means the March 15 following the next succeeding October 1 after the Date of Determination of Loss of Qualified School Construction Bond Status.

"*Tax Credit Program*" means the program for allocating Tax Credits and authorizing the issuance of Qualified School Construction Bonds promulgated under Sections 54A and 54F of the Code.

"*Tax Credit Rate*" means ________%, the Tax Credit Rate for the Bonds established by the United States Department of Treasury.

Section 102. Miscellaneous Definitions. As used herein, and unless the context shall otherwise indicate, the words "Bond," "Owner" and "Person" shall include the plural as well as the singular number.

As used herein, the terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Agreement.

Unless the context shall otherwise indicate, references herein to articles, sections, subsections, clauses, paragraphs and other subdivisions refer to the designated articles, sections, subsections, clauses, paragraphs and other subdivisions of this Agreement as originally executed.

ARTICLE II

Terms of Bonds

Section 201. Terms of Bonds. (A) The Bonds have been authorized to be issued by the City in the aggregate principal amount of $________,000 to finance the Costs of Construction of the Project and to pay costs in connection with the issuance of the Bonds. The Bonds constitute a single series of Bonds of the City and shall be designated as, and shall be distinguished from any other bonds, by the title: "General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit)."

(B) The Bonds shall be issued only in fully registered form without coupons and shall be dated December 22, 2009. Each Bond shall bear interest from the interest payment date to which interest has been paid as of the date on which it is authenticated or if it is authenticated prior to the first date on which interest is to be paid, from December 22, 2009, which interest shall be payable on March 15, June 15, September 15 and December 15 of each year, commencing March 15, 2010 and computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds shall mature on December 15, 20__. The Bonds shall bear interest at the Supplemental Coupon Rate; *provided*, *however*, that the Bonds shall bear interest at a rate per annum equal to the sum of the Supplemental Coupon Rate and the Tax Credit Rate from and after the Tax Credit Conversion Date.

(C) The Bonds shall be in denominations of $40,000 or any integral multiple of $40,000 and each Bond shall be numbered consecutively but need not be authenticated or delivered in consecutive order. The Bonds and the Certificate of Authentication shall be in substantially the form set forth in *Exhibit A* attached hereto and by reference made a part hereof with such variations, omissions or insertions as are required or permitted by this Agreement.

(D) The principal and Redemption Price of the Bonds shall be payable at the designated corporate trust offices of the Fiscal Agent, in the City of Chicago, Illinois. Interest on the Bonds shall be payable by check or bank draft mailed or delivered by the Fiscal Agent to the Owners as the same appear on the registration books of the City maintained by the Fiscal Agent as of the Record Date or, at the option of any Owner, by wire transfer of Current Funds to such bank in the continental United States as said Owner shall request in writing to the Fiscal Agent.

(E) The Bonds shall be initially issued in the form of a separate single fully registered Bond. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Fiscal Agent in the name of Cede & Co., as nominee of DTC, and except as hereinafter provided, the ownership of all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Fiscal Agent shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Fiscal Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in any Bond, (ii) the delivery to any DTC Participant or any other Person, other than the Owner of any Bond, of any notice with respect to such Bond, including without limitation any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than the Owner of any Bond, of any amount with respect to principal or Redemption Price of or interest on such Bond. The City and Fiscal Agent shall be entitled to treat and consider the Person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal or Redemption Price and interest with respect to such Bond, for the purpose of giving notices of redemption, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Fiscal Agent shall pay all principal or Redemption Price of and interest on the Bonds only to or upon the order of the respective Owners thereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the City's obligations with respect to payment of principal or Redemption Price of and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner of a Bond shall receive a Bond certificate evidencing the obligation of the City to make payments of principal or Redemption Price of and interest on the Bonds pursuant to this Agreement.

The Owners of the Bonds have no right to the appointment or retention of a depository for such Bonds. DTC may resign or be removed as securities depository under the conditions provided in the Letter of Representations. In the event of any such resignation or removal, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer or cause the transfer of one or more separate Bond certificates to such successor securities depository or (ii) notify DTC of the availability through DTC of Bond certificates and transfer or cause the transfer of one or more separate Bond certificates to DTC Participants as DTC directs. In such event, the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC shall designate, in accordance with the provisions of this Agreement.

The City has heretofore executed and delivered the Letter of Representations to DTC. So long as DTC, or its designee, is the Owner of all Bonds, the provisions set forth in the Letter of Representations shall apply to the redemption of any Bonds and to the payment of principal or Redemption Price of and interest on the Bonds, including without limitation, that: (1) presentation of Bonds to the Fiscal Agent upon redemption or at maturity shall be deemed made to the Fiscal Agent when the right to exercise ownership rights in the Bonds through DTC or DTC's Participants is transferred by DTC on its books; and (2) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Owners of Bonds under this Agreement on a fractionalized basis on behalf of some or all of those Persons entitled to exercise ownership rights in the Bonds through DTC or DTC's Participants.

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, the Fiscal Agent agrees to comply with the terms and provisions of the Letter of Representations.

Upon the separation of the ownership of the Bonds from the entitlement of the Owner thereof to the related Tax Credit or the separation of the ownership of the Interest Bearing Bonds from the entitlement of the Owner thereof to the Cash Interest Payment Component, the provisions of this Section 2.2(G) shall be supplemented by the book-entry provisions of Section 816.

Section 202. Application of Bond Proceeds. The net proceeds of the Bonds, upon receipt, shall be deposited as follows:

(i) $_______________ shall be deposited into the Construction Fund;

(ii) $_______________ shall be deposited into the Bond Fund; and

(iii) $_______________ shall be deposited into the Expense Fund.

ARTICLE III

General Terms and Provisions of Bonds

Section 301. Medium of Payment; Letters and Numbers. The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Any Bonds shall be issued only in the form of fully registered Bonds without coupons. Each Bond shall be lettered and numbered as provided in this Agreement so as to be distinguished from every other Bond.

Section 302. Execution and Authentication. (A) The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Mayor and the City Clerk, countersigned by the manual signature of the Comptroller and attested by the manual or facsimile signatures of the Commissioners of the Public Debt and the corporate seal of the City (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. In case any one or more of the officers who shall have signed, countersigned or attested any of the Bonds shall cease to be such officer before the Bonds so executed and sealed shall have been authenticated and delivered by the Fiscal Agent, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who executed such Bonds had not ceased to hold such offices. Any Bond may be signed, countersigned and attested and sealed on behalf of the City by such persons who at the time of the execution of such Bond shall hold the proper office in the City, although at the date of such Bond such persons may not have been so authorized or have held such office.

(B) The Bonds shall bear a certificate of authentication, in the form set forth in this Agreement, executed manually by the Fiscal Agent, who is appointed to act as the Fiscal Agent pursuant to Section 67.10(2) of the Wisconsin Statutes. Only such Bonds as shall bear such certificate of authentication shall be entitled to any right or benefit under this Agreement, and no such Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Fiscal Agent. Such certificate of the Fiscal Agent upon any such Bond executed on behalf of the City shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Agreement and that the Owner thereof is entitled to the benefits of this Agreement.

Section 303. Exchangeability of Bonds. Subject to the provisions of Section 306, any Bond, upon surrender at the corporate trust office of the Fiscal Agent with a written instrument of transfer satisfactory to the Fiscal Agent, duly executed by the Owner or its duly authorized attorney, may, at the option of the Owner and upon payment of any charges which the Fiscal Agent may make as provided in Section 306, be exchanged for an equal aggregate principal amount of fully registered Bonds of the same tenor and of any other Authorized Denominations.

Section 304. Negotiability, Transfer and Registration. (A) Each Bond shall be transferable only upon the registration books of the City, which shall be kept for that purpose by the Fiscal Agent, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Fiscal Agent, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Bond, the City shall issue in the name of the transferee a new Bond or Bonds in Authorized Denominations of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

(B) Subject to the provisions of Article VIII and the Tax Credit Program, the City and the Fiscal Agent may deem and treat the person in whose name any Bond shall be registered upon the registration books of the City as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary.

Section 305. Provisions with Respect to Exchanges and Transfers. In all cases in which the privilege of transferring or exchanging Bonds is exercised, the City shall execute and the Fiscal Agent shall authenticate and deliver Bonds in accordance with the provisions of this Agreement. All Bonds surrendered in any such exchanges shall forthwith be canceled by the Fiscal Agent. For any exchange or transfer of Bonds, whether temporary or definitive, the City or the Fiscal Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. The Fiscal Agent shall not be required to make any registration, transfer or exchange of any Bond during the period after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Section 306. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute, and thereupon the Fiscal Agent shall authenticate and deliver, a new Bond of like maturity, interest rate and principal amount as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Fiscal Agent evidence satisfactory to the Fiscal Agent that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the City and the Fiscal Agent with indemnity satisfactory to them and complying with such other reasonable regulations as the City or the Fiscal Agent may prescribe and paying such expenses as the City and Fiscal Agent may incur. All Bonds so surrendered to the Fiscal Agent shall be canceled by the Fiscal Agent in accordance with Section 1104. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the City, whether or not the Bonds so alleged to be destroyed, stolen or lost shall be found at any time or be enforceable by anyone, shall be entitled to equal and proportionate benefits with all other Bonds issued under this Agreement and shall be equally secured by the moneys or securities held by the City or the Fiscal Agent for the benefit of the Owners.

ARTICLE IV

Redemption of Bonds

Section 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this Agreement shall be redeemable, upon notice given as provided in this Article IV, at such times, at such Redemption Prices and upon such terms, in addition to the terms contained in Article IV, as may be specified in this Agreement.

Section 402. Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption within 90 days after the Expenditure Termination Date, in whole or in part, in Authorized Denominations, at a Redemption Price of par, or a Redemption Price equal to the accreted value of the Bonds on the redemption date if the Bonds were initially sold at a price less than par, in a principal amount equal to the sum of (i) the unexpended Available Project Proceeds as of the Expenditure Termination Date and (ii) such additional amount so that the aggregate principal amount of the Bonds to be redeemed is $40,000 or an integral multiple of $40,000. The Fiscal Agent shall select the date of redemption, which date shall be on a March 15, June 15, September 15 or December 15 occurring within 90 days after the Expenditure Termination Date. In the event that Bonds have been exchanged for Principal Strip Certificates and Tax Credit Certificates the redemption amount shall be allocated as provided in Section 804.

Section 403. Actions of Fiscal Agent. Whenever by the terms of this Agreement the Fiscal Agent is required or authorized to redeem Bonds, the Fiscal Agent shall select the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price thereof, plus interest accrued and unpaid to the date fixed for redemption, in accordance with the terms of Articles IV and V to the extent applicable.

Section 404. Selection of Bonds to Be Redeemed. If less than all of the Bonds shall be called for redemption, the Fiscal Agent shall instruct DTC to provide for the pro-rata redemption from each DTC Participant of an amount of Bonds determined by multiplying the principal amount of the Bonds to be redeemed on the redemption date by a fraction, the numerator of which is the principal amount of such Bonds held by such DTC Participant and the denominator of which is the principal amount of all of the Bonds Outstanding immediately prior to the date the Bonds are selected for redemption, and then rounding the product down to the next lower integral multiple of $40,000. Any remaining proceeds shall be applied to the redemption of Bonds by lot and in Authorized Denominations as determined by DTC.

Section 405. Notice of Redemption. When redemption of Bonds is authorized or required pursuant to Section 402, the Fiscal Agent shall give notice, in the name of the City, of the redemption of such Bonds, which notice shall specify the Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Fiscal Agent shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 30 days before the date fixed for redemption, to the Owners of the Bonds to be redeemed at their addresses as shown on the registration books of the City maintained by the Fiscal Agent. If the Fiscal Agent mails notices of redemption as herein provided, notice shall be conclusively presumed to have been given to all Owners.

Section 406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the date fixed for redemption at the Redemption Price, plus interest accrued and unpaid to such date, and, upon presentation and surrender thereof at any place specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to such date. If there shall be called for redemption less than all of a Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, fully registered Bonds of like tenor in any Authorized Denominations. If, on the date fixed for redemption, moneys for the redemption of all the Bonds or portions thereof of any like tenor to be redeemed, together with interest to such date, shall be held by the Fiscal Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the date fixed for redemption, interest on the Bonds or portions thereof of so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the date fixed for redemption, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

Establishment of Funds and Applications Thereof

Section 501. Establishment of Funds. The City hereby establishes the Debt Service Fund, the Sinking Fund and the Expense Fund, each of which shall be a special fund of the City held in trust by the Fiscal Agent. The Debt Service Fund and the Sinking Fund shall be included as a part of the "Debt Service Fund" of the City established and maintained by the City pursuant to Section 67.11 of the Wisconsin Statutes. The City hereby establishes the Construction Fund as a special fund of the City to be held by the City. The City hereby establishes the Interest Account and the Redemption Account as special accounts within the Debt Service Fund.

Section 502. Construction Fund. (A) The City shall make payment of the Cost of Construction of the Project from the Construction Fund as provided in this Section. All payments from the Construction Fund shall be subject to the provisions and restrictions set forth in this Section.

(B) The City shall, during and upon completion of construction of the Project, make payments from the Construction Fund, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this Section. Before any such payment shall be made, MPS shall file with the City:

(1) its requisition therefor, stating in respect of each payment to be made: (a) the name of the person, firm or corporation to whom payment is due, (b) the amount to be paid, and (c) in reasonable detail the purpose for which the obligation was incurred; and

(2) its certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by MPS in or about the construction of the Project, and that each item thereof is a proper charge against the Construction Fund and is a proper Cost of Construction and has not been paid, and (b) that such requisition contains no item representing payment on account of any retained percentages which MPS is at the date of such certificate entitled to retain.

Upon receipt of each such requisition and accompanying certificates the City shall transfer to, or upon the order of, MPS, an amount equal to the total of the amounts to be paid as set forth in such requisition, the amounts to be used solely for the payment of the obligations set forth in such requisition.

(C) On or before the Expenditure Termination Date, the City shall withdraw from the Construction Fund and pay to the Fiscal Agent for deposit into the Redemption Account any balance in the Construction Fund.

Section 503. Expense Fund. The moneys held in the Expense Fund shall be expended for the payment of the costs of issuance of the Bonds. On June 15, 2010 any sum remaining in the Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City for deposit into the Construction Fund.

Section 504. Deposits by City. (A) On or prior to each interest payment date, the City shall pay to the Fiscal Agent for deposit into the Interest Account of the Debt Service Fund a sum sufficient to provide for the punctual payment of the interest on the Bonds due on such interest payment date. On or prior to each redemption date of any Bonds, the City shall pay to the Fiscal Agent for deposit into the Interest Account a sum sufficient to provide for the punctual payment of the interest on such Bonds due on such redemption date.

(B) On or prior to December 15 of the following years the City shall pay cash or Investment Securities to the Fiscal Agent for deposit into the Sinking Fund the following annual amounts, subject to adjustment as provided in paragraph (C) of this Section, constituting mandatory Annual Sinking Fund Payments for the retirement at maturity of the Bonds:

Year	Sinking Fund Payment
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	

(C) If Bonds are redeemed prior to maturity by extraordinary mandatory redemption pursuant to Section 402, then the Annual Sinking Fund Payment for each year shall be reduced as directed by the City in accordance with Section 54(d)(4)(C) of the Code, or, in the absence of such direction, by the amount obtained by multiplying the Annual Sinking Fund Payment set forth for such year in paragraph (B) of this Section by a fraction the numerator of which is the principal amount of Bonds redeemed pursuant to such extraordinary mandatory redemption and the denominator of which is the principal amount of Bonds Outstanding as of the time immediately prior to such redemption.

(D) The City shall make the scheduled annual deposits to the Sinking Fund in accordance with paragraphs (B) and (C) of this Section whenever the aggregate amount held in the Sinking Fund is less than the principal amount of Bonds Outstanding. The City shall suspend such deposits whenever the sum of the cash and the maturity value of the Investment Securities held in the Sinking Fund equals or exceeds the principal amount of Outstanding Bonds.

Section 505. Debt Service Fund. (A) The Fiscal Agent shall pay (i) out of the Interest Account on each interest payment date or redemption date, as applicable, for any of the Outstanding Bonds, the amount required for the interest payable on such date; (ii) out of the Redemption Account on each applicable redemption date amount required for the payment of the Redemption Price of such Outstanding Bonds then to be redeemed. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Fiscal Agent for the aforesaid purposes on the due dates thereof.

(B) The moneys paid into the Redemption Account from the Construction Fund pursuant to Section 502(C) shall be applied by the Fiscal Agent for the redemption of the Bonds in accordance with the provisions of Section 54A(d)(2)(B) of the Code. Within ten days following the Expenditure Termination Date, the Fiscal Agent shall establish the redemption date. The amounts held in the Redemption Account shall be applied to pay the Redemption Price of such Bonds. The accrued interest on such Bonds to the date fixed for their redemption shall be paid from the Interest Account.

(C) Moneys held in the Accounts of the Debt Service Fund shall be invested as provided in Section 603(A). Investment income earned as a result of such investment shall be retained in said Accounts.

Section 506. Sinking Fund. (A) The moneys in the Sinking Fund shall be used for the payment of the principal of the Bonds due on December 15, 20__ and on December 15, 20__ the Fiscal Agent shall pay out of the Sinking Fund the sum equal to the principal amount of the Bonds then Outstanding. Such amount shall be paid to the Owners of the Outstanding Bonds.

(B) Moneys held in the Sinking Fund shall be invested as provided in Section 603(A). Investment income earned in such investment shall be retained in the Sinking Fund; *provided, however*, that if on any date the sum held in the Sinking Fund exceeds the principal amount of the Outstanding Bonds, then the amount of such excess, at the direction of the City expressed in a certificate of an Authorized Officer of the City, may be withdrawn from the Sinking Fund free from the lien of this Agreement.

(C) If on any interest payment date or redemption date the amount held in the Interest Account is not sufficient to pay the interest on the Bonds payable on such date, the Fiscal Agent shall withdraw from the Sinking Fund and deposit into the Interest Account a sum sufficient to cure such deficiency.

(D) Any investment of moneys in the Sinking Fund is subject the investment yield limitations set forth in Section 54A(d)(4)(C) and 54(A)(d)(5)(B) of the Code.

Section 507. City to Cure Deficiency. If on the business day immediately prior to any interest payment date or principal payment date the sums held under the Agreement for the payment of such interest or principal shall be less than sums required for the punctual payment of the interest payable on such interest payment date or the principal payment on such principal payment date, then the Fiscal Agent shall notify the City of such deficiency and the City shall apply any available fund to cure such deficiency.

ARTICLE VI

Depositaries, Security for Deposits and Investments of Funds

Section 601. Depositaries. All moneys held by the Fiscal Agent under the provisions of this Agreement may be deposited with one or more financial institutions selected by an Authorized Officer of the City in the name of and in trust for the Fiscal Agent. All moneys held by the City under this Agreement shall be deposited in one or more financial institutions (selected by an Authorized Officer of the City) in the name of the City. All moneys deposited under the provisions of this Agreement with the Fiscal Agent, the City or any financial institution shall be held in trust and applied only in accordance with the provisions of this Agreement, and each of the Funds or Accounts established by this Agreement shall be a trust fund.

Section 602. Deposits. (A) All moneys held by any financial institution under this Agreement may be placed on demand or time deposit, as directed by an Authorized Officer of the City, provided that such deposits shall permit the moneys so held to be available for use when needed. Any such deposit may be made in the commercial banking department of the Fiscal Agent which may honor checks and drafts on such deposit as if it were not the Fiscal Agent. All moneys held by the Fiscal Agent may be deposited in its banking department on demand or, if and to the extent directed by an Authorized Officer of the City, on time deposit, provided that such moneys on deposit be available for use when needed. The Fiscal Agent shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

(B) All moneys on deposit to the credit of the Debt Service Fund and the Sinking Fund not otherwise secured by deposit insurance shall be continuously and fully secured by the Fiscal Agent for the benefit of the City by lodging with the Fiscal Agent as collateral security, Government Obligations having a market value (exclusive of accrued interest) of not less than the amount of such moneys.

Section 603. Investment of Certain Moneys. (A) Moneys held in the Debt Service Fund and its Accounts and in the Sinking Fund shall be invested and reinvested by the Fiscal Agent at the oral direction of an Authorized Officer of the City promptly confirmed in writing to the fullest extent practicable in Investment Securities meeting the requirements of Section 67.11 of the Wisconsin Statutes, which mature no later than necessary to provide moneys when needed for payments to be made from such Funds or Accounts. In the event that no such directions are received by the Fiscal Agent, such amounts shall be invested in Government Obligations, pending receipt of investment directions. The Fiscal Agent may make any and all such investments through its own investment department or that of its affiliates or subsidiaries.

(B) Moneys held in two or more Funds or Accounts may be jointly invested in one or more Investment Securities, provided that such investment complies with all the terms and conditions hereof relating to the investment of moneys in such Funds or Accounts, as the case may be, and the City maintains books and records as to the allocation of such investment as among such Funds or Accounts. Investment income from investments held in the various Funds or Accounts shall remain in and be a part of the respective Funds or Accounts in which such investments are held, except as otherwise provided in this Agreement.

Section 604. Valuation and Sale of Investments. (A) Investment Securities in any Fund or Account created under the provisions of this Agreement shall be deemed at all times to be part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account and any loss resulting from liquidation of such investment shall be charged to such Fund or Account.

(B) Valuations of Investment Securities held in the Funds or Accounts shall be made by the Fiscal Agent as often as may be necessary to determine the amounts held therein. In computing the amounts in such Funds or Accounts and Investment Securities therein shall be valued as provided in subsection (C) of this Section.

(C) The value of Investment Securities shall mean the fair market value thereof, *provided, however,* that all SLGs shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable.

(D) Except as otherwise provided in this Agreement, the Fiscal Agent at the direction of an Authorized Officer of the City shall sell at the best price reasonably obtainable, or present for redemption, any Investment Security held in any Fund or Account held by the Fiscal Agent whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund or Account as the case may be. The Fiscal Agent shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

ARTICLE VII

Particular Covenants and Representations of the City

Section 701. Authorization for Agreement. This Agreement is executed and delivered by the City by virtue of and pursuant to Section 67.10(6) of the Wisconsin Statutes. The City has ascertained and hereby determines and declares that the execution and delivery of this Agreement is necessary to meet the public purposes of the City and MPS, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate such purposes of the City and MPS and to carry out their powers and is in furtherance of the public benefit and welfare and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to provide for the issuance the Bonds and are contracts or agreements necessary, useful or convenient to carry out and effectuate the corporate purposes of the City.

Section 702. Agreement to Constitute Contract. In consideration of the purchase and acceptance of Bonds by those who shall hold the same from time to time, the provisions of this Agreement shall be a part of the contract of the City with the Owners and shall be deemed to be and shall constitute a contract between the City, the Fiscal Agent and the Owners. The City covenants and agrees with the Owners that it will faithfully perform all of the covenants and agreements contained in this Agreement and in the Bonds and the Tax Credit Certificates.

Section 703. QSCBs Designation of Bonds. In accordance with the requirements of Sections 54A and 54F of the Code, the City hereby designates the $_________,000 aggregate principal amount of the Bonds as Qualified School Construction Bonds.

Section 704. QSCB Status. In order to maintain the status of the Bonds as QSCBs under Section 54F of the Code, the City shall comply, and shall cause MPS to comply, with the provisions of the Code applicable to QSCBs, including without limitation (i) Sections 54A and 54F of the Code, and (ii) the provisions of the Code relating to the computation of the yield on investments of the “gross proceeds” of an issue of QSCBs, as such term is defined in the Code, reporting of the earnings on such gross proceeds and rebates of earnings on such gross proceeds to the Department of the Treasury of the United States of America, to the extent such provisions apply to an issue of QSCBs. In furtherance of the foregoing, the City shall comply with the provisions of the Tax Agreement.

The City shall not take any action or fail to take any action which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the Bonds or any other funds of the City be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Code.

Section 705. Use of Proceeds. The City acknowledges and agrees that 100% of the Available Project Proceeds of the Bonds are required by Sections 54A and 54F of the Code to be used to pay or reimburse the payment of qualifying public school facility expenditures paid after August 26, 2009 for the construction, rehabilitation or repair of public school facilities, including the acquisition of (A) land on which facilities financed with the proceeds of the Bonds are to be constructed, and/or (B) equipment to be used within the portion or portions of the facilities financed with the proceeds of the Bonds.

Section 706. Limitation on Legal Defeasance. The City shall not cause all or any portion of the Bonds to be legally defeased and deemed paid within the meaning and effect expressed in Section 1101 unless, prior thereto, (i) the City shall have obtained a ruling from the IRS to the effect that such legal defeasance of all or a portion of the Bonds will not cause a loss of the associated Tax Credits, or (ii) the IRS shall have promulgated regulations, or published a revenue ruling, revenue procedure, notice or other official pronouncement that the legal defeasance of QSCBs will not cause a loss of Tax Credits.

Section 707. Purchase Prohibited. The City agrees that prior to the Tax Credit Conversion Date it will not purchase, hold or own any Bonds, Principal Strip Certificates or Tax Credit Certificates.

ARTICLE VIII

Tax Credit Program

Section 801. Authorization of Tax Credit Program. The Bonds shall be issued in a form that permits the separation, under the Tax Credit Program, of the ownership of the Principal Component of a Bond from the entitlement of the Owner thereof to the related Tax Credits. This Article VIII provides for the terms and conditions pursuant to which: (i) the ownership of the Principal Component of a Bond may be separated from the ownership of the related Tax Credit Component; (ii) the ownership of the Principal Component of an Interest Bearing Bond may be separated from the ownership of the related Cash Interest Payment Component; (iii) the ownership of Principal Strip Certificates and Tax Credit Certificates may be recombined into Bonds; (iv) the ownership of Principal Strip Certificates and Cash Interest Certificates may be recombined into Interest Bearing Bonds; and (v) Bonds may be converted into Interest Bearing Bonds.

Section 802. Tax Credit Rate. Except as otherwise provided in Section 806 hereof, the Owner of a Bond on each Tax Credit Allowance Date, or the Owner of the applicable Tax Credit Certificate stripped from such Bond pursuant to Section 803 hereof, shall be entitled to claim a Tax Credit on such Tax Credit Allowance Date to the extent provided by the Code. Under the provisions of the Code as in effect on the date of issuance of the Bonds, the Tax Credit due on each such Tax Credit Allowance Date will be in an amount equal to twenty-five percent (25%) of the product of (i) the principal amount of such Bond and (ii) the Tax Credit Rate. The amount of any Tax Credit for the first Tax Credit Allowance Date shall be pro rated by the number of days from December 22, 2009, the date of delivery of the Bonds, to the first Tax Credit Allowance Date in accordance with the Code. A similar rule of pro ration shall apply upon any redemption of the Bonds prior to maturity.

Owners of Bonds and Tax Credit Certificates are, and the City shall not be, responsible for calculating and claiming any Tax Credit as of any Tax Credit Allowance Date and in the manner specified in the Code, except as may be required by regulations promulgated in connection with Qualified School Construction Bonds.

Section 803. Stripping of Tax Credits.

(A) At any time, by written request to the Fiscal Agent in the form attached hereto as Attachment I-A (the "*Tax Credit Strip Request*"), the Owner of (or, with respect to Bonds in DTC book-entry form (notwithstanding anything in Section 816 hereof to the contrary), the DTC Participant for) a Bond may, upon presentation of such Bond, direct the Fiscal Agent to authenticate and deliver: (i) a Principal Strip Certificate in a principal amount equal to the principal amount of the Bonds to be so separated and (ii) Tax Credit Certificates representing the entitlement to the allocable Tax Credits with respect to such Bonds. The form of the Tax Credit Strip Request may be modified or amended by the Fiscal Agent with the prior written consent of the City.

(B) Upon the receipt of a request and the presentation pursuant to paragraph (A) of this Section, the Fiscal Agent shall: (i) authenticate and deliver to or upon the order of the Owner so requesting, Principal Strip Certificates in a face amount equal to the principal amount of the related Bond so presented; (ii) authenticate and deliver to or upon the order of the Owner so requesting, Tax Credit Certificates for each remaining Tax Credit Allowance Date in accordance with this Article VIII, in a face amount equal to twenty-five percent (25%) of the product of (A) the principal amount of the related Bond so presented and (B) the Tax Credit Rate; and (iii) contemporaneously with the delivery thereof, reduce, by the amount so converted the amount of Bonds that have not been stripped.

(C) The Principal Strip Certificate shall be executed and delivered as a fully registered Principal Strip Certificate in an amount corresponding to an Authorized Denomination and in an amount equal to the principal amount of the related Bonds presented.

(D) The Tax Credit Certificates shall be executed and delivered as fully registered Tax Credit Certificates, in face amounts corresponding to Authorized Denominations and in an amount for each equal to twenty-five percent (25%) of the product of (i) the principal amount of the related Bonds presented and (ii) the Tax Credit Rate. To the extent required by DTC, new CUSIP numbers shall be obtained for each Tax Credit Certificate.

(E) Upon the separation, if any, of the ownership of the Principal Component of a Bond from the entitlement of the Owner thereof to the related Tax Credits, the Owner of the Principal Strip Certificate related thereto shall be entitled to the Supplemental Coupon related to such Bond.

(F) Notwithstanding the separation, if any, of the ownership of the Principal Component of a Bond from the entitlement of the Owner thereof to the related Tax Credit Component, the previously combined Bond shall remain Outstanding and the ownership of Principal Strip Certificates evidencing the rights to the related Principal Components and the Supplemental Coupon related thereto and the ownership of the Tax Credit Certificates evidencing the rights to such Tax Credits related thereto shall constitute such Outstanding Bond.

Section 804. Extraordinary Mandatory Redemption from Unexpended Bond Proceeds. In the event of an extraordinary mandatory redemption of Bonds pursuant to Section 402 and in the event that Bonds have been exchanged for Principal Strip Certificates and Tax Credit Certificates (in whole or in part) and registered separately pursuant to Section 803, the redemption amount shall be allocated, as nearly as reasonably possible, pro rata between (i) Bonds and (ii) an amount of (a) Principal Strip Certificates and (b) Tax Credit Certificates that would relate to such principal amount of Principal Strip Certificates, based upon the relative principal amounts of the outstanding Bonds and the outstanding Principal Strip Certificates. Any Principal Strip Certificates and Tax Credit Certificates to be so redeemed shall also be called for redemption on the same terms and conditions and in the same manner as the Bonds, and the Redemption Price used to redeem Principal Strip Certificates and Tax Credit Certificates so redeemed shall be allocated to the Bonds, Principal Strip Certificates and the Tax Credit Certificates in the proportions and values set forth in the allocable value tables attached as Attachment III to the Agreement.

Section 805. Recombining Principal Components and Tax Credits.

(A) At any time, by written request to the Fiscal Agent in the form attached hereto as Attachment I-C (the "Tax Credit Recombination Request"), the Owner of (or, with respect to Principal Strip Certificates and Tax Credit Certificates held in the DTC book-entry system (notwithstanding anything in Section 816 hereof to the contrary), the DTC Participant for) (i) a Principal Strip Certificate and (ii) sufficient Tax Credit Certificates having Tax Credit Allowance Dates corresponding to each and every Tax Credit Allowance Date that would remain with respect to a Bond, and having a face amount with respect to each such Tax Credit Allowance Date equal to the Tax Credits that would be related to a Bond with a principal amount equal to the Principal Strip Certificates to be recombined, may, upon presentation to the Fiscal Agent of such Principal Strip Certificate and Tax Credit Certificates, direct the Fiscal Agent to authenticate and deliver (1) a Bond in a principal amount equal to the principal amount of the Principal Strip Certificate to be so converted, and (2) reducing, by the amount so converted, the number of Principal Strip Certificates and Tax Credit Certificates. The form of the Tax Credit Recombination Request may be modified or amended by the Fiscal Agent with the prior written consent of the City.

(B) Upon the receipt of a request and the presentation pursuant to paragraph (A) of this Section, the Fiscal Agent shall authenticate and deliver an unstripped Bond in a principal amount equal to the principal amount of the Principal Strip Certificate to be so converted and reduce, by the amount so converted, the amount of separate Principal Strip Certificates and Tax Credit Certificates. Upon the recombination, if any, of a Bond, the Bond shall be delivered by the Fiscal Agent as a fully registered Bond, in a principal amount corresponding to Authorized Denominations with the CUSIP number for the original combined Bond; *provided, however*, that the Fiscal Agent may provide a new CUSIP number that is distinct from the CUSIP number for the original combined Bond.

Section 806. Conversion of Bonds into Interest Bearing Bonds; Conversion of Tax Credit Certificates into Cash Interest Certificates; Disallowed Tax Credits.

(A) The Bonds shall be converted, in whole or in part, into Interest Bearing Bonds requiring the City to make cash payments of interest thereon to the Owners thereof as provided in this Section on the March 15 following the next succeeding October 1 after the Date of Determination of Loss of Qualified School Construction Bond Status. If the event described in the preceding sentence occurs, (1) the Bonds, any Principal Strip Certificates relating thereto and any Tax Credit Certificates representing Tax Credits for Tax Credit Allowance Dates occurring after the Tax Credit Conversion Date shall, on the Tax Credit Conversion Date or as soon thereafter as practical, be exchanged by the Owner thereof for Interest Bearing Bonds, Principal Strip Certificates relating to the Interest Bearing Bonds and Cash Interest Certificates without the need for any further action or proceeding by the City, (2) such Interest Bearing Bonds, related Principal Strip Certificates and Cash Interest Certificates shall, from and after the Tax Credit Conversion Date, be Interest Bearing Bonds or related Principal Strip Certificates and Cash Interest Certificates, respectively, for all purposes of the Agreement, and (3) if the Bonds have not already ceased to be "qualified school construction bonds" under Section 54F of the Code as a result of a Determination of Loss of Qualified School Construction Bond Status, the Bonds, from and after the Tax Credit Conversion Date, shall cease to be "qualified school construction bonds" under Section 54F of the Code. Interest Bearing Bonds shall bear interest (in addition to the Supplemental Coupon) from the Tax Credit Conversion Date (with appropriate adjustment for any Tax Credits that in fact will be allowed to the Owner by the IRS subsequent to such Tax Credit Conversion Date) to maturity at an interest rate per annum equal to the Tax Credit Rate, payable quarterly on each Cash Interest Payment Date. Such interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Owner of any Interest Bearing Bond or Principal Strip Certificate related thereto shall be entitled to the Supplemental Coupon related to the Bond so converted. If the Bonds are converted into Interest Bearing Bonds, any Bonds, Principal Strip Certificates related thereto or Tax Credit Certificates not exchanged for Interest Bearing Bonds, Principal Strip Certificates related thereto and Cash Interest Certificates by the Owners thereof shall be deemed to be so exchanged.

(B) If the event described in the first sentence of paragraph (A) of this Section occurs, the Fiscal Agent shall send a written notice to the Owners of the Bonds, Principal Strip Certificates and Tax Credit Certificates, stating that (i) as of the Tax Credit Conversion Date, the related Bonds have been or shall be converted into Interest Bearing Bonds for all purposes of the Agreement, and (ii) such Owners are required to deliver, on the Tax Credit Conversion Date or as soon thereafter as practical, their Bonds, any Principal Strip Certificates relating thereto and Tax Credit Certificates (for Tax Credit Allowance Dates occurring after the Tax Credit Conversion Date) to the Fiscal Agent in exchange for an Interest Bearing Bond or Bonds, Principal Strip Certificates relating to the Interest Bearing Bonds and Cash Interest Certificates in Authorized Denominations in the same respective face amount as the Bonds and any Principal Strip Certificates relating to such Bonds and Tax Credit Certificates so delivered by such Owners. Upon the conversion of Bonds into Interest Bearing Bonds, Principal Strip Certificates relating to Bonds into Principal Strip Certificates relating to Interest Bearing Bonds and Tax Credit Certificates, if any, into Cash Interest Certificates, the City shall execute, and the Fiscal Agent shall authenticate and deliver, to the Owners of the Bonds, Principal Strip Certificates relating to the Bonds and Tax Credit Certificates, if any, entitled thereto, fully registered Interest Bearing Bonds, Principal Strip Certificates relating to such Interest Bearing Bonds and Cash Interest Certificates in substantially the forms attached hereto.

(C) Subject to paragraph (D) of this Section, in the event that any Tax Credits that have been recognized by an Owner with respect to Tax Credit Allowance Dates occurring on or prior to the Tax Credit Conversion Date are determined to be ineligible as Tax Credits as a result of the Determination of Loss of Qualified School Construction Bond Status, the City shall pay to the Fiscal Agent for distribution to the respective Owners (as of the applicable Tax Credit Allowance Dates for such disallowed Tax Credits) of the Bonds or Tax Credit Certificates, as appropriate, an amount equal to the amount of such disallowed Tax Credits, plus interest thereon from the applicable Tax Credit Allowance Date to the date of payment to the Fiscal Agent, compounded quarterly at the rates equal to the large corporate underpayment rates determined from time to time by the IRS during such interest compounding period to be paid on or before the March 15th following the next succeeding October 1 after the Date of Determination of Loss of Qualified School Construction Bond Status.

(D) The City shall have no obligation to make payments under paragraph (C) of this Section and shall not incur a liability to any Owner if Tax Credits are disallowed because the separation of Tax Credits from the Bonds or recombining the Tax Credits with the Principal Strip Certificates in the manner provided in this Article VIII failed to comply with the requirements of the Code or applicable regulations, including, without limitation, regulations prescribed by the Secretary of the Treasury pursuant to Section 54A(i) of the Code that are published or promulgated subsequent to such separation.

(E) The moneys required to be paid by the City pursuant to paragraph (C) of this Section shall be paid to the Fiscal Agent and deposited into a special account held by the Fiscal Agent. Such moneys shall be distributed by the Fiscal Agent to the Owners entitled thereto as verified in a statement of claim signed by the Owner and filed with the Fiscal Agent. Interest earnings on moneys in the special account may be withdrawn by the City.

Section 807. Stripping of Cash Interest Certificates.

(A) At any time, by written request to the Fiscal Agent in the form attached hereto as Attachment I-B (the "*Cash Interest Strip Request*"), the Owner of (or, with respect to Bonds held in the DTC book-entry system (notwithstanding anything in Section 816 hereof to the contrary), the DTC Participant for) an Interest Bearing Bond may, upon presentation of such Interest Bearing Bond, direct the Fiscal Agent to authenticate and deliver (i) a Principal Strip Certificate in a principal amount equal to the principal amount of the Interest Bearing Bonds to be so separated and (ii) Cash Interest Certificates representing the entitlement to the Cash Interest Payment Component with respect to such Interest Bearing Bonds to be converted. The form of the Cash Interest Strip Request may be modified or amended by the Fiscal Agent with the prior written consent of the City.

(B) Upon the receipt of a request and the presentation of an Interest Bearing Bond pursuant to paragraph (A) of this Section, the Fiscal Agent shall: (i) authenticate and deliver to or upon the order of the Owner so requesting, a Principal Strip Certificate in a principal amount equal to the principal amount of the related Interest Bearing Bond so presented; (ii) authenticate and deliver to or upon the order of the Owner so requesting, Cash Interest Certificates for each remaining Cash Interest Payment Date in accordance with this Article VIII, in an amount equal to twenty-five percent (25%) of the product of (A) the principal amount of the related Interest Bearing Bond so presented and (b) the Tax Credit Rate; and (iii) contemporaneously with the delivery thereof, reduce, by the amount so converted the amount of Interest Bearing Bonds that have not been stripped.

(C) The Principal Strip Certificate shall be executed and delivered as a fully registered Principal Strip Certificate, in an amount corresponding to an Authorized Denomination and in an amount equal to the principal amount of the related Interest Bearing Bond presented.

(D) The Cash Interest Certificates shall be executed and delivered as fully registered Cash Interest Certificates, in amounts corresponding to Authorized Denominations and in an amount for each equal to twenty-five percent (25%) of the product of (i) the principal amount of the related Interest Bearing Bonds presented and (ii) the Tax Credit Rate. To the extent required by DTC, specific CUSIP numbers shall be obtained for each Cash Interest Certificate.

(E) Upon the separation, if any, of the ownership of the Principal Component of an Interest Bearing Bond from the entitlement of the Owner thereof to the related Cash Interest Payment Component, the Owner of the Principal Strip Certificate related thereto shall be entitled to the Supplemental Coupon related to such Interest Bearing Bond.

(F) Notwithstanding the separation, if any, of the ownership of the Principal Component of an Interest Bearing Bond from the entitlement of the Owner thereof to the related Cash Interest Payment Component, the previously combined Interest Bearing Bond shall remain outstanding and the ownership of Principal Strip Certificates evidencing the rights to the related Principal Components and the Supplemental Coupon related thereto and the ownership of the Cash Interest Certificates shall constitute such outstanding Interest Bearing Bond.

Section 808. Recombining Principal Components and Cash Interest Payments.

(A) At any time, by written request to the Fiscal Agent in the form attached hereto as Attachment I-D (the "Cash Interest Recombination Request"), the Owner of (or, with respect to Principal Strip Certificates and Cash Interest Certificates held in the DTC book-entry system (notwithstanding anything in Section 816 to the contrary), the DTC Participant for) (i) a Principal Strip Certificate and (ii) sufficient Cash Interest Certificates having payment dates corresponding to each and every Cash Interest Payment Date that would remain with respect to an Interest Bearing Bond, and having a face amount with respect to each such Cash Interest Payment Date equal to the amount of the Cash Interest Payment Component that would be paid on an Interest Bearing Bond with a principal amount equal to the Principal Strip Certificates to be recombined, may, upon presentation of such Principal Strip Certificates and Cash Interest Certificates, direct the Fiscal Agent to authenticate and deliver (1) an Interest Bearing Bond in a principal amount equal to the principal amount of the Principal Strip Certificate to be so converted, and (2) reducing by the amount so converted, the amount of Principal Strip Certificates and Cash Interest Certificates. The form of the Cash Interest Recombination Request may be modified or amended by the Fiscal Agent with the prior written consent of the City.

(B) Upon the receipt of a request and the presentation pursuant to paragraph (A) of this Section, the Fiscal Agent shall authenticate and deliver an unstripped Interest Bearing Bond in a principal amount equal to the principal amount of the Principal Strip Certificates to be so converted, and reduce, by the amount so converted, the amount of separate Principal Strip Certificates and Cash Interest Certificates. Upon the recombination, if any, of Principal Strip Certificates and the Cash Interest Certificates, Interest Bearing Bonds shall be delivered by the Fiscal Agent as fully registered Interest Bearing Bonds, in principal amounts corresponding to Authorized Denominations with the CUSIP number for the original combined Bond; *provided, however*, that the Fiscal Agent may request a new CUSIP number that is distinct from the CUSIP number for the original combined Bond.

Section 809. Rights and Remedies of Separate Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates. If and to the extent that any Bonds or Interest Bearing Bonds are separated into Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, the Owners of the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates shall have the same rights and remedies granted to the Owners of Bonds or Interest Bearing Bonds, as applicable, and shall receive all notices required to be sent to Owners of the Bonds or Interest Bearing Bonds. For purposes of determining if there is a required percentage in aggregate principal amount of the Outstanding Bonds affected by a proposed action, consent or direction, if the proposed action, consent or direction would affect the Owners of Bonds or Interest Bearing Bonds, the Owners of the Principal Strips Certificates, Tax Credit Certificates and Cash Interest Certificates shall be entitled to collective voting rights equal to the principal amount of the related Principal Strip Certificates, and such voting rights shall be further allocated to the Owners of the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates in proportion to the values set forth in Attachment III to the Agreement.

Section 810. Forms of Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates. The Principal Strip Certificates and Tax Credit Certificates relating to the Bonds, including the Certificate of Authentication thereon, shall be in substantially the form of Appendix I to the form of Bond set forth in Exhibit A to the Agreement, with appropriate or necessary insertions, omissions and variations. The Principal Strip Certificates and Cash Interest Certificates relating to the Interest Bearing Bonds, including the Certificate of Authentication thereon, shall be in substantially the form of Appendix I to the form of Interest Bearing Bond set forth in Exhibit A to the Agreement, with appropriate or necessary insertions, omissions and variations.

Section 811. Execution of Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates. The Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates shall be signed by the manual or facsimile signatures of the Mayor and the City Clerk, countersigned by the manual or facsimile signature of the Comptroller and attested by the manual or facsimile signatures of the Commissioners of the Public Debt and the corporate seal of the City (of a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. The Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates shall then be delivered to the Fiscal Agent for authentication by it.

Section 812. Authentication of Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates. Only such of the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates as shall bear thereon a Certificate of Authentication as described in Section 810, executed by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of the Agreement, and such certificate of the Fiscal Agent shall be conclusive evidence that the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates so authenticated have been duly authenticated and delivered as set forth hereunder and in the Principal Strip Certificate, Tax Credit Certificates and Cash Interest Certificates and are entitled to the benefits of the Agreement.

Section 813. Registration Books. The Fiscal Agent will keep or cause to be kept at its principal corporate trust office sufficient books for the registration and transfer of ownership of the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates which shall at all times be open to inspection by the City and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered, transferred or exchanged the Principal Strip Certificate, Tax Credit Certificates, and Cash Interest Certificates. Each Bond, Interest Bearing Bond, Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate authenticated and registered by the Fiscal Agent shall be assigned a distinctive letter or number, or letter and number.

Section 814. Transfer and Exchange of Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates. Any Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates may, in accordance with its terms and the Agreement, be transferred upon the registration books by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, as applicable, for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Fiscal Agent. Whenever any Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and shall deliver a new Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, as applicable, in an Authorized Denomination and of the same tenor, maturity and interest rate, if any. The Fiscal Agent shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Any Principal Strip Certificate, Tax Credit Certificate and Cash Interest Certificate may be exchanged at the designated office of the Fiscal Agent for a like Authorized Denomination of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, of the same tenor, maturity and interest rate, if any, of other Authorized Denominations. The Fiscal Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Fiscal Agent shall not be obligated to make any transfer or exchange of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates pursuant to this Section during the period established by the Fiscal Agent for the selection of Principal Strip Certificates, Tax Credit Certificates, Cash Interest Certificates or related Qualified School Construction Bonds or Interest Bearing Bonds, as applicable, for redemption, or with respect to any Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates selected for redemption.

Section 815. Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates Mutilated, Lost, Destroyed or Stolen. If any Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate shall become mutilated, the City, at the expense of the Owner of said Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, as applicable, of like tenor in exchange and substitution for the Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, as applicable, so mutilated, but only upon surrender to the Fiscal Agent of the Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate so mutilated. Every mutilated Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate so presented to the Fiscal Agent shall be canceled by it and delivered to, or upon the order of, the City.

If any Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence and indemnity satisfactory to the Fiscal Agent and the City shall be given, the City, at the expense of the Owner, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, as applicable, of like tenor in lieu of and in replacement for the Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate so lost, destroyed or stolen (or if any such Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate shall have matured or shall have been selected for redemption, instead of issuing a replacement Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate, as applicable, the Fiscal Agent may pay the same without surrender thereof).

The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate issued under this Section and of the expenses which may be incurred by the City and the Fiscal Agent.

Any Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate issued under the provisions of this Section in lieu of any Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Agreement, with all other Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates.

Section 816. Book-Entry System.

(A) Upon the separation of the ownership of the Bonds from the entitlement of the Owner thereof to the related Tax Credits or the separation of the ownership of the Interest Bearing Bonds from the entitlement of the Owner thereof to the Cash Interest Payment Component, the ownership of Principal Strip Certificates evidencing the rights to the related Principal Components and the ownership of the Tax Credit Certificates evidencing the rights to such Tax Credits or the ownership of the Cash Interest Certificates evidencing the rights to such Cash Interest Payment Component, as applicable, shall be registered in the registration books in the name of Cede & Co., as nominee of DTC, except as provided in paragraph (C) of this Section. The City and the Fiduciary may treat DTC (or its nominee) as the sole and exclusive Owner of the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, registered in its name for the purposes of payment of amounts, if any, with respect to the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, selecting the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates or portions thereof, as applicable, to be redeemed, giving any notice permitted or required to be given to Owners of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, under this Article VIII, registering the transfer of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, obtaining any consent or other action to be taken by Owners of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, and for all other purposes whatsoever, and each Fiduciary and the City shall not be affected by any notice to the contrary. The Fiscal Agent and the City shall not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates under or through DTC or any DTC Participant, or any other person which is not shown on the registration books as being an Owner, with respect to the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect of the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates; any notice which is permitted or required to be given to Owners of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates under this Article VIII; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates; or any consent given or other action taken by DTC as Owner of Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates. The Fiscal Agent shall pay all amounts, if any, with respect to the Principal Strip Certificates and Cash Interest Certificates, as applicable, only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to any such amounts with respect to the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, to the extent of the sum or sums so paid. Except under the conditions of paragraph (C) of this Section, no person other than DTC shall receive an executed Principal Strip Certificate, Tax Credit Certificate or Cash Interest Certificate. Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the term "Cede & Co." in this Section shall refer to such new nominee of DTC.

(B) So long as the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, as applicable, are registered in the name of Cede & Co. or its registered assigns, the Fiscal Agent shall process all Tax Credit Strip Requests, Cash Interest Strip Requests, Tax Credit Recombination Requests and Cash Interest Recombination Requests through DTC's book-entry system.

(C) So long as the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, as applicable, are registered in the name of Cede & Co., or its registered assigns, the City and the Fiscal Agent shall cooperate with Cede & Co., as sole registered Owner, or its registered assigns, in effecting payment of the Redemption Price, if any, of the Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made by wire transfer of same-day funds on the date they are due.

(D) In the event (i) DTC, including any successor as securities depository for the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, determines not to continue to act as securities depository for the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates; or (ii) the City determines that the incumbent securities depository shall no longer so act, subject to the applicable procedures of the incumbent securities depository, and delivers a written certificate to the Fiscal Agent to that effect, then the City will discontinue the book-entry system with the incumbent securities depository for the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates. If the City determines to replace the incumbent securities depository for the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates with another qualified securities depository, subject to the applicable procedures of the incumbent securities depository, the City shall prepare or direct the preparation of a new single, separate fully registered Principal Strip Certificate, a new single, separate fully registered Tax Credit Certificate for the aggregate outstanding amount of Tax Credits that have been separated from the ownership of the related Bonds and a new single, separate fully registered Cash Interest Certificate, as applicable, or, to the extent authorized by this Article VIII, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the City, the Fiscal Agent and the successor securities depository for the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates as are not inconsistent with the terms of this Article VIII. If the City fails to identify another qualified successor securities depository of the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates to replace the incumbent securities depository, then the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates shall no longer be restricted to being registered in the registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates, as applicable, or its nominee, shall designate. In such event the Fiscal Agent shall authenticate and deliver a sufficient quantity of the Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates as necessary to carry out the transfers and exchanges provided in Section 814.

(E) So long as the Tax Credit Certificates are registered in the name of Cede & Co. or its registered assigns, the Fiscal Agent shall provide notice to DTC of the expiration of each Tax Credit Certificate, not less than forty-five (45) days prior to the Tax Credit Allowance Date for such Tax Credit Certificate, in the form included as Attachment II hereto.

Section 817. Amendment; Waiver. The provisions of this Article VIII may be amended, by written agreement of the City and the Fiscal Agent, and any provision of this Article VIII may be waived, each without the consent of the Owners of the Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates or any other Person, if (i)(a) an amendment to Section 54A or 54F of the Code is adopted, or a new or modified official interpretation of Section 54A or 54F of the Code is issued, after December 22, 2009 which is applicable to the Tax Credit Program; (b) legislation shall have been enacted by the United States or the State of Wisconsin, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation, proposed regulation or a temporary regulation or an official statement shall have been published in the Federal Register or any other release or announcement shall have been made by or on behalf of the Treasury Department of the United States, U.S. Securities and Exchange Commission or the IRS with respect to the stripping of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates from the related Bonds or Interest Bearing Bonds, as applicable, or (c) rules, procedures or guidance shall have been adopted by DTC or any successor or replacement securities depository with respect to the stripping of Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates from the related Bonds or Interest Bearing Bonds, as applicable and (ii) the City shall have delivered to the Fiscal Agent an Opinion of Counsel addressed to the City and the Fiscal Agent to the effect that performance by the City and Fiscal Agent under this Article VIII as so amended or giving effect to such waiver, as the case may be, will not result in a violation of Sections 54A or 54F of the Code. The City shall cause to be given to the Owners prompt notice of any such amendment to or waiver of any provision of this Article VIII.

ARTICLE IX

Concerning the Fiscal Agent

Section 901. Appointment and Acceptance of Duties. The Fiscal Agent hereby accepts its appointment as Fiscal Agent under the Agreement, but only upon the additional terms set forth in this Article, to all of which the City agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree. The Fiscal Agent undertakes such duties and only such duties as are specifically set forth in Section 67.10 of the Wisconsin Statutes and this Agreement.

Section 902. Responsibilities. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the City and the Fiscal Agent does not assume any responsibility for the correctness of the same. The Fiscal Agent makes no representations as to the validity or sufficiency of this Agreement or of any Bonds issued hereunder or as to the security afforded by this Agreement, and the Fiscal Agent shall not incur any liability in respect thereof. The Fiscal Agent shall, however, be responsible for any representation contained in its certificate on the Bonds. The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and the Fiscal Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct.

Section 903. Evidence on Which Fiscal Agent May Act. (A) The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion (including any Counsel's Opinion), bond or other paper or document furnished to it pursuant to and conforming to the requirements of this Agreement, and believed by it to be genuine and to have been signed or presented by the proper party or parties.

(B) Whenever the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Agreement, such matter (unless this Agreement specifically requires other evidence thereof) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, but in its discretion the Fiscal Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(C) Except as otherwise expressly provided in this Agreement, any request, order, notice or other direction required or permitted to be furnished by the City to the Fiscal Agent shall be sufficiently executed if signed by an Authorized Officer.

Section 904. Compensation. Unless otherwise determined by agreement between the City and the Fiscal Agent, the City shall pay the Fiscal Agent from time to time reasonable compensation for services rendered under this Agreement, as well as pay and/or reimburse the Fiscal Agent for the reasonable fees and expenses related to extraordinary services rendered by the Fiscal Agent.

Section 905. Resignation. The Fiscal Agent may at any time resign and be discharged of the duties and obligations imposed upon it by this Agreement by giving not less than 60 days' written notice to the City, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the City as provided in Section 907, in which event such resignation shall take effect immediately on the appointment of such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Fiscal Agent shall not have been appointed within a period of 90 days following the giving of notice, then the Fiscal Agent shall be authorized to petition any court of competent jurisdiction to appoint a successor Fiscal Agent as provided in Section 907 hereof.

Section 906. Removal. The Fiscal Agent may be removed at any time by an instrument in writing delivered to the Fiscal Agent and signed by an Authorized Officer of the City.

Section 907. Appointment of Successor. In case at any time the Fiscal Agent shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Fiscal Agent, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Fiscal Agent, or of its property or affairs, the City shall appoint a successor Fiscal Agent.

Section 908. Transfer of Rights and Property to Successor. Any successor Fiscal Agent appointed under this Agreement shall execute, acknowledge and deliver to its predecessor Fiscal Agent, and also to the City, an instrument accepting such appointment, and thereupon such successor Fiscal Agent, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiscal Agent; but the predecessor Fiscal Agent shall nevertheless, on the written request of the City or of the successor Fiscal Agent, execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Fiscal Agent all its right, title and interest in and to any property held by it under this Agreement, and shall pay over, assign and deliver to the successor Fiscal Agent any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument from the City be required by such successor Fiscal Agent for more fully and certainly vesting in and confirming to such successor Fiscal Agent any such moneys, estates, properties, rights, powers and duties, such deed, conveyance or instrument shall be executed, acknowledged and delivered by the City.

Section 909. Merger or Consolidation. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which all or substantially all of the corporate trust business of the Fiscal Agent may be sold or transferred, shall be the successor to the Fiscal Agent and be bound to the obligations and duties of the Fiscal Agent hereunder without the execution or filing of any paper or the performance of any further act, unless such successor delivers written notice of its resignation pursuant to the provisions of this Article; *provided, however,* that such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Agreement.

Section 910. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Agreement shall have been authenticated but not delivered, any successor Fiscal Agent may adopt the certificate of authentication of any predecessor Fiscal Agent so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Fiscal Agent may authenticate such Bonds in the name of the predecessor Fiscal Agent or in its own name.

Section 911. Quarterly Report. Within seven days after the end of each calendar quarter, the Fiscal Agent shall prepare a written report for each Fund or Account held by it pursuant to the provisions of this Agreement. Such report shall set out the receipts and disbursements, both principal and income, and shall list the Investment Securities held by the Fiscal Agent at the end of the quarter. A copy of each such report shall be furnished to the City and any persons designated by the City. In addition, the Fiscal Agent shall, at any time when requested, including, without limitation, any request at the time of the resignation of the Fiscal Agent, furnish to the City a report of the amount of moneys, including Investment Securities, held in each Fund or Account by the Fiscal Agent. For purposes of this certification, the Investment Securities in each such Fund or Account shall be treated as having a value equal to their aggregate market value as of the date of the request.

ARTICLE X

Amendments

Section 1001. Amendment by Parties. The City and the Fiscal Agent without the consent of, or notice to, any of the Owners, may amend the Agreement.

Section 1002. Filing of Counsel's Opinion. Each amendment described in Section 1001 shall be accompanied by a Counsel's Opinion to the effect that such amendment has been duly authorized by the City in accordance with the provisions of this Agreement, is authorized or permitted by this Agreement and, when executed and delivered, will be valid and binding upon the City and the Fiscal Agent.

ARTICLE XI

Miscellaneous

Section 1101. Defeasance. (A) Bonds or interest installments for the payment of which moneys shall have been set aside and held in trust by the Fiscal Agent at or prior to their maturity date shall be deemed to have been paid within the meaning of and with the effect expressed in this Section 1101 if the City shall have delivered to or deposited with the Fiscal Agent (i) irrevocable instructions to pay all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Fiscal Agent at the same time, shall be sufficient, to pay when due the principal and interest due and to become due on said Bonds on and prior to each specified maturity date thereof, and (iii) if any of said Bonds are not to be paid within the next succeeding 180 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Fiscal Agent and that said Bonds are deemed to have been paid in accordance with this Section and stating the maturity date upon which moneys are to be available for the payment of the principal, of said Bonds. The Defeasance Obligations and moneys deposited with the Fiscal Agent pursuant to this Section shall be held in trust for the payment of the principal and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or interest on, said Bonds unless after such withdrawal the amount held by the Fiscal Agent and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of and interest on such Bonds, at maturity.

(B) Anything in this Agreement to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiscal Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Fiscal Agent after the said date when such Bonds become due and payable, shall, at the written request of the City, be repaid by the Fiscal Agent to the City, as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of such Bonds.

Section 1102. Evidence of Signatures of Owners and Ownership of Bonds. (A) Any request, consent, revocation of consent or other instrument which this Agreement may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any Person of the Bonds shall be sufficient for any purpose of this Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Fiscal Agent, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Owner or its attorney of such instruments may be proved by a guarantee of the signature thereon by a bank, national banking association or trust company or by the certificate of any notary public

or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instruments acknowledged to that person the execution thereof, or by an affidavit of witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of authority.

(2) The ownership of Bonds and Tax Credit Certificates and the amount, numbers and other identification and date of holding the same shall be proved by the registration book maintained by the Fiscal Agent.

(B) Any request or consent by the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in accordance therewith.

Section 1103. Preservation and Inspection of Documents. All documents received by the Fiscal Agent under the provisions of this Agreement, shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiscal Agent, any of whom may make copies thereof.

Section 1104. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, and all mutilated Bonds surrendered pursuant to Section 307, shall be delivered to the Fiscal Agent when such payment or redemption is made or upon surrender, as the case may be, and such Bonds, together with all Bonds purchased by the Fiscal Agent, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Fiscal Agent, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be delivered to the City and the other retained by the Fiscal Agent.

Section 1105. Parties Interested Herein. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the City, the Fiscal Agent and the Owners, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Fiscal Agent and the Owners.

Section 1106. No Recourse on the Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Agreement against any past, present or future member of the Common Council, the Commissioner of the Public Debt, officer, employee or agent of the City.

Section 1107. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Fiscal Agent to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Agreement.

Section 1108. Notices. Any notice, demand, direction, request or other instruments authorized or required by this Agreement to be given to, delivered to or filed with the City or the Fiscal Agent shall be deemed to have been sufficiently given, delivered or filed for all purposes of the Agreement if and when sent by registered mail, return receipt requested:

To the City, if addressed to:

City of Milwaukee
Office of the City Comptroller
City Hall, Room 404
200 East Wells Street
Milwaukee, WI 53202

to such other address as may be designated in writing by the City to the Fiscal Agent; and

To the Fiscal Agent, if addressed to:

Deutsche Bank National Trust Company
Corporate Trust Department
222 South Riverside Plaza
Chicago, IL 60606

or at such other address as may be designated in writing by the Fiscal Agent to the City.

Section 1109. Construction. The Agreement shall be construed in accordance with the provisions of Wisconsin law.

Section 1110. Termination. The Agreement shall terminate on the 90th day following the retirement of all of the Bonds.

Section 1111. Multiple Counterparts. The Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

APPENDIX E

Form of Tax Credit Bond and Tax Credit Certificate

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FORM OF BOND

Registered Number R-____	UNITED STATES OF AMERICA STATE OF WISCONSIN COUNTY OF MILWAUKEE	Registered $________

Statement of the value of all the taxable property in the City of Milwaukee according to the last preceding assessment thereof as equalized for State purposes (2008) $32,257,525,000	Aggregate principal amount of existing general obligation bonded indebtedness of said City, including this issue .... $____________ Aggregate principal amount of existing general obligation debt other than bonded debt of said City .... $____________

CITY OF MILWAUKEE
GENERAL OBLIGATION CORPORATE PURPOSE BOND
QUALIFIED SCHOOL CONSTRUCTION BOND
SERIES 2009 M6 (TAX CREDIT)

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP	TAX CREDIT RATE
__________%	December 15, ____	_________, 2009	602366 ___	________%

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THE CITY OF MILWAUKEE, a municipal corporation of the State of Wisconsin (the "*City*"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns, upon presentation and surrender hereof, the Principal Amount identified above on the Maturity Date specified above, unless this Bond shall have been previously called for redemption and payment of the redemption price shall have been duly made or provided for, and to pay interest on said Principal Amount from the interest payment date next preceding the date of authentication and delivery of this Bond, unless this Bond is authenticated and delivered on an interest payment date to which interest has been paid or provided for, in which event this Bond shall bear interest from such interest payment date, or unless this Bond is authenticated and delivered prior to March 15, 2010 in which event this Bond shall bear interest from its Dated Date. Interest on this Bond (computed on the basis of a 360-day year consisting of twelve 30-day months) is payable on March 15, June 15, September 15 and December 15 of each year, commencing March 15, 2010, until the payment in full of such Principal Amount.

This Bond shall bear interest at the Interest Rate identified above, unless and until this Bond is converted to an "Interest Bearing Bond" as defined in the hereinafter described Fiscal Agency Agreement and, in such event, this Bond shall bear interest from the "Tax Credit Conversion Date," as defined in the Fiscal Agency Agreement, at the rate of ________% per annum, constituting the sum of the Interest Rate and the Tax Credit Rate, identified above.

The principal of this Bond is payable in lawful money of the United States of America at the principal corporate trust office in the City of Chicago, Illinois of Deutsche Bank National

Trust Company, as fiscal agent, or its successor (the "*Fiscal Agent*") and payment of the interest hereon shall be made to the person in whose name this Bond is registered at the close of business on the last day of the calendar month next preceding each interest payment date (the "*Record Date*") by check or bank draft mailed by the Fiscal Agent to such Registered Owner at such Registered Owner's address as it appears on the registration books of the City maintained by the Fiscal Agent or, at the option of any Registered Owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer of immediately available funds to such bank in the continental United States as said Registered Owner shall request in writing to the Fiscal Agent prior to the Record Date.

For the prompt payment of this Bond, with interest thereon as aforesaid, and the levying and collection of taxes sufficient for that purpose, the full faith, credit and resources of the City are hereby irrevocably pledged.

Reference is hereby made to the further provisions of this Bond on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is hereby certified and recited that all conditions, things and acts required by law to exist or to be done prior to and in connection with the issuance of this Bond have been done, have existed and have been performed in due form and time; that the aggregate indebtedness of the City, including this Bond and other indebtedness authorized simultaneously herewith, does not exceed any limitation imposed by law or the Constitution of the State of Wisconsin; and that the City has levied a direct, annual irrepealable tax sufficient to pay this Bond, together with interest thereon when and as payable.

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

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Fiscal Agent.

IN WITNESS WHEREOF, the CITY OF MILWAUKEE has caused this Bond to be signed by the facsimile signatures of the Mayor and the City Clerk, countersigned by the manual signature of the Comptroller, attested by the facsimile signatures of the Commissioners of the Public Debt, and sealed with a printed facsimile of the City's seal, and has caused this Bond to be dated this ___ day of December, 2009.

FORM OF TAX CREDIT CERTIFICATE

Certificate Number TC-____	UNITED STATES OF AMERICA STATE OF WISCONSIN COUNTY OF MILWAUKEE	Tax Credit Amount $_______________

CERTIFICATE EVIDENCING TAX CREDIT ENTITLEMENT

related to the

CITY OF MILWAUKEE
GENERAL OBLIGATION CORPORATE PURPOSE BOND
QUALIFIED SCHOOL CONSTRUCTION BOND
SERIES 2009 M6 (TAX CREDIT)

Sale Date of Related Bonds	Issuance Date of Related Bonds	Maturity Date of Related Bonds	Applicable Tax Credit Rate	CUSIP NO. of Related Bonds
December __, 2009	December __, 2009	December 15, 20__	________%	602366 ___

Tax Credit Allowance Date	CUSIP NO. (if stripped from Related Bonds)
________ 15, 20__	602366 ___

Dated:

Registered Owner:

Notional Amount: ____ DOLLARS

This certificate evidences the entitlement of the Registered Owner identified above or registered assigns (the "*Registered Owner*") to the credit (the "*Tax Credit*") to be provided on the Tax Credit Allowance Date specified above, under Section 54A of the Internal Revenue Code of 1986 (the "*Code*"), against the tax imposed by Chapter 1 of the Code ("*Chapter 1*"), with respect to the related component part of the bonds designated as the City of Milwaukee (the "*City*") General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) relating to the Tax Credit (the "*Related Bonds*"), the aggregate amount of which have been designated by the City as qualified school construction bonds pursuant to Section 54F of the Code. This certificate evidences the Tax Credit Component (defined herein) of the Related Bonds on the above-referenced Tax Credit Allowance Date.

The holder hereof shall be allowed a credit against the tax imposed by Chapter l in an amount equal to twenty-five percent (25%) of the annual credit determined with respect to the Related Bonds, being the product of: (a) the applicable tax credit rate set forth above (the "*Applicable Rate*"), and (b) the outstanding face amount of the Related Bonds (the "*Notional Amount*"); *provided, however*, that the amount for March 15, 2010 of this Tax Credit shall be pro rated by the number of days from the date of initial issuance and delivery to such date in accordance with the Code. A similar rule of pro ration shall apply upon the redemption or the maturity, if applicable, of this Tax Credit.

This certificate is executed and delivered as a component part of the Related Bonds and, together with other similar certificates relating to the Related Bonds, designated as "Certificates Evidencing Tax Credit Entitlement related to the City of Milwaukee General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit)" (the "*Tax Credit Certificates*"). The Tax Credit Certificate is executed and delivered by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of Wisconsin, including Chapters 65 and 67 of the Wisconsin Statutes, and acts supplementary thereto, the Charter of the City and resolutions duly passed by the Common Council of the City on October 13, 2009 and December 1, 2009, and a Fiscal Agency Agreement, dated as of December 22, 2009 (the "*Fiscal Agency Agreement*") by and between the City and Deutsche Bank National Trust Company, as Fiscal Agent (the "*Fiscal Agent*"). Reference is hereby made to the Fiscal Agency Agreement for a description of the terms on which the Tax Credit Certificates are executed and delivered and for the rights of the Owners of the Tax Credit Certificates. All the terms of the Fiscal Agency Agreement are hereby incorporated herein and constitute a contract between the City and Registered Owner of this certificate, to all the provisions of which the Registered Owner of this certificate, by acceptance hereof, agrees and consents. Capitalized undefined terms used herein have the meanings ascribed thereto in the Fiscal Agency Agreement.

The Tax Credit Certificates are subject to registration, transfer and exchange as provided in and subject to the terms and provisions of the Fiscal Agency Agreement.

The Related Bonds are subject to redemption as provided in the Fiscal Agency Agreement. In the event of a mandatory redemption of Bonds and in the event that Bonds have been exchanged for Principal Strip Certificates and Tax Credit Certificates (in whole or in part) and registered separately pursuant to the Fiscal Agency Agreement, the Redemption Price shall be allocated, as nearly as reasonably possible, pro rata between (i) Bonds and (ii) an amount of (a) Principal Strip Certificates and (b) Tax Credit Certificates that would relate to such principal amount of Principal Strip Certificates, based upon the relative par amounts of the outstanding Bonds and the outstanding Principal Strip Certificates. Any Principal Strip Certificates and Tax Credit Certificates to be so redeemed shall also be called for redemption on the same terms and conditions and in the same manner as the Bonds pursuant to the Fiscal Agency Agreement and the Redemption Price used to redeem Principal Strip Certificates and Tax Credit Certificates so redeemed shall be allocated to the Bonds, Principal Strip Certificates and the Tax Credit Certificates in the proportions and values set forth in the Table of Allocable Values attached hereto as Schedule I.

Pursuant to the Fiscal Agency Agreement, the Tax Credit Certificates may be converted, in whole or in part, into Cash Interest Certificates requiring the City to make cash payments of interest thereon to the Owners thereof as provided and in accordance with the terms of the Fiscal Agency Agreement.

Payments of interest on the Cash Interest Certificates shall be payable as set forth in the Fiscal Agency Agreement.

All acts, conditions and things required by law to be done or performed precedent to and in the execution and delivery of this Tax Credit Certificate have been done and performed in strict conformity with the laws authorizing the execution and delivery of this Tax Credit Certificate.

This Certificate shall not be entitled to any benefit or be valid for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Fiscal Agent.

IN WITNESS WHEREOF, the CITY OF MILWAUKEE has caused this Certificate to be signed by the facsimile signatures of the Mayor and the City Clerk, countersigned by the facsimile signature of the Comptroller, attested by the facsimile signatures of the Commissioners of the Public Debt, and sealed with a printed facsimile of the City's seal, and has caused this Certificate to be dated _______________.

APPENDIX F

Table of Redemption Values

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TABLE OF REDEMPTION VALUES

Credit Rate: ___%
OID Bond Yield (including tax credit): ___%

	Per $40,000		Tax Credit Strip per $___ ($___ for 3/15/2010)											
Date	Bond	Principal Strip	3/15/10	6/15/10	9/15/10	12/15/10	3/15/11	6/15/11	9/15/11	12/15/11	3/15/12	6/15/12	9/15/12	12/15/12
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Credit Rate: ___%
OID Bond Yield (including tax credit): ___%

	Tax Credit Strip per $____													
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Credit Rate: ___%
OID Bond Yield (including tax credit): ___%

	Tax Credit Strip per $____													
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Credit Rate: ___%
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Credit Rate: ___%
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APPENDIX G

Statement of Disclosure Counsel

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December ____, 2009

City Comptroller & Commissioners of the Public Debt
Milwaukee, Wisconsin

Re: $___,000,000 General Obligation Corporate Purpose Qualified School Construction Bonds, Series 2009 M6 (Tax Credit)

Gentlepersons:

Hurtado, S.C. has acted as disclosure counsel to the City of Milwaukee, Wisconsin ("City") and Milwaukee Public Schools, a department and board of school directors in charge of the public schools of the City ("MPS"), in connection with the authorization and issuance of the above-entitled bonds (the "Bonds"). The Bonds are being offered for sale pursuant to a Preliminary Official Statement, dated December __, 2009, and a final Official Statement, dated ____________________, 2009 (collectively, the "Offering Documents").

We have reviewed the Offering Documents and certain supporting materials provided by the City, MPS, and their representatives regarding the Bonds. Regarding factual questions material to our opinion set forth below, we have relied on the certifications and judgment of the City and MPS as to the adequacy of disclosure, and have not undertaken to verify the same by independent investigation. We have participated in meetings and telephone conferences with the City, MPS and their representatives at which the Offering Documents were discussed. We do not offer an opinion, or assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Offering Documents. Moreover, many of the determinations required to be made in the preparation of the Offering Documents involve matters of a non-legal nature. On the basis of the foregoing, and subject to these qualifications, no facts have come to our attention that have caused us to believe that the Offering Documents (other than the financial statements, financial schedules and other accounting and statistical data included therein, and information regarding the Depository Trust Company, as to which we express no opinion or belief) contained, as of the date thereof and as of the date of closing, any misstatement of a material fact or omit a material fact necessary that is required to be included or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This letter is furnished solely for your information and benefit in connection with the offering and sale of the Bonds and to assist the City and MPS in establishing defenses under applicable securities laws, and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any party purchasing the Bonds from you) without our express prior written consent.

Very truly yours,

Hurtado, S.C., Counselors at Law

APPENDIX H

Official Notice of Sale and Bid Form

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OFFICIAL NOTICE OF SALE AND OFFICIAL BID FORM

FOR

$48,000,000*

CITY OF MILWAUKEE, WISCONSIN GENERAL OBLIGATION CORPORATE PURPOSE BONDS QUALIFIED SCHOOL CONSTRUCTION BONDS SERIES 2009 M6 (TAX CREDIT)

Sale Data:

SALE DATE AND TIME:	Wednesday, December 9, 2009 10:00 a.m. Central Time
PLACE OF ACCEPTANCE FOR SEALED BIDS:	City of Milwaukee Office of the City Comptroller City Hall, Room 404 200 E. Wells St. Milwaukee, Wisconsin 53202
	Bids will also be accepted electronically via PARITY

* Subject to change in accordance to the provisions herein. See "Award".

OFFICIAL NOTICE OF SALE

$48,000,000*
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE
QUALIFIED SCHOOL CONSTRUCTION BONDS
SERIES 2009 M6 (TAX CREDIT)

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 10:00 A.M., Central Time, on Wednesday, the

9th DAY OF DECEMBER, 2009

at the Office of the City Comptroller, in said City, for the purchase of Forty Eight Million Dollars ($48,000,000)* General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds"). Sealed bids should be delivered to Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City's Public Debt Commission scheduled for 4:00 P.M., Central Time on December 9, 2009. *Information regarding the Bonds is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

Details of the Bonds

The expected Date of Delivery is December 22, 2009 (the "Expected Date of Delivery"). The Bonds will be issued as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986. The Bonds will be dated as of the Expected Date of Delivery, will bear interest, if any, and tax credits payable quarterly, and will mature on December 15, 2026 (subject to adjustment for changes in the permitted maximum maturity as determined on the award date). Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity. The Bonds are subject to extraordinary mandatory redemption from unexpended bond proceeds. The tax credits of the Bonds may be stripped, provided however, that no representation is made regarding the tax credits if they are stripped.

On the sale date, the Maturity Date and the Tax Credit rate may be obtained by calling 414-286-2319.

Bid Parameters

Partial Bids: Bidders may bid for all of the Bonds or part of the Bonds. All bids must be in multiples of $40,000. **Coupon:** Bidders are required to name the interest rate the Bonds are to bear. Such rate shall be no greater than 3%, and be in multiples of one-eighth of one percent or one-one hundredth of one percent. **Minimum Price:** No bid at less than $48,200,000 plus accrued interest, if any, will be considered.

The Par Amount of Bonds may be increased by the Bidder in order to produce a bid price between $48,200,000 and $48,500,000. The City believes that the best bid will be the bid with the lowest par amount and with a 0.00% supplemental coupon, which results in a bid price of $48,200,000.

* Subject to change in accordance with the provisions herein, See "Award".

Good Faith Deposit

The winning bidder must submit a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, in the amount of $480,000, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder as liquidated damages should such bidder fail to provide an Issue Price certificate and/or take up and pay for the Bonds when ready. The Deposit of the successful bidder will be retained by the City and deducted from the purchase price at the time of closing.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid to be accepted. All bids shall remain firm until 5:00 P.M. Central Time. A meeting of the Public Debt Commission of the City is scheduled for 4:00 P.M., Central Time on the sale date at which time the official award of the Bonds will be made or all bids rejected.

Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions: Bidders may elect to provide a Deposit of $480,000 after the time Bids are due, subject to the following conditions:

1. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
2. The winning bidder shall provide the City a Deposit by cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 1:00 P.M., Central time ("Due Time") on the date bids are open.
3. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.
4. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder. The winning bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

Award

The Bonds will be awarded to the qualified bidder offering the lowest true interest cost to the City, which does not take into account the tax credits. The City's computation of true interest cost of each bid will be controlling. True interest cost can be estimated as follows: the present value rate necessary to discount, to the Purchase Price (hereinafter defined), the future debt service payments, excluding the tax credits, from the payment dates to the Expected Date of Delivery, calculated on the basis of a 360-day year of twelve 30-day months, and with semi-annual compounding. The "Purchase Price" is principal, plus premium, plus accrued interest to the Expected Date of Delivery. The City reserves the right to reject any or all bids or to waive any irregularity in any bid.

Bidders may bid any $40,000 bond multiple up to $57,000,000 par amount of Bonds. The City reserves the right to reduce the total amount of Bonds awarded, and may accept a bid in a principal amount less than the principal amount of a bid, such that the purchase price is between $48,000,000 and $49,000,000. If only part of the Bonds bid for are awarded to a bidder, the premium offered, if any, shall be prorated. For example, if a bidder bids a par amount of $50,000,000 and a purchase price of $50,000,000, the City may accept $48,500,000 of the bid. No adjustment will be made to the Good Faith Deposit.

The City desires a bid price between $48,200,000 and $48,500,000 and anticipates that the lowest TIC will be from bids with a 0.00% Interest Rate.

The winning bid or bids will be reported to PARITY, but the City assumes no responsibility or liability for results posted on such website.

Submission of Bids

Sealed proposals for the purchase of said Bonds must be made using the Official Bid Form, or if submitted electronically via the PARITY, in accordance with the requirements prescribed by this Notice of Sale. For bidders submitting their electronic bid via PARITY, please refer to your agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, including using more than one electronic method, shall be submitted by the same bidder for any part of the Bonds, each such bid shall be considered a separate proposal for purchase of such part.

Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY through their competitive bidding application BidComp. By submitting an electronic bid, a Bidder agrees:

1. The City may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the Bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the Bidder shall be bound by the terms of such contract.

2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.

3. That the Bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services are an agent of the City. The City shall have no liability whatsoever based on the Bidders use of the electronic service, including, but not limited to any failure by the electronic service to correctly or timely transmit information provided by the Bidder.

The City assumes no responsibility or liability for bids submitted through PARITY. The City also assumes no responsibility for the accuracy of information on the City’s Bonds presented by, nor of calculations performed by, nor of restrictions on the entry of bids enforced by, PARITY. If any provisions in this Official Notice of Sale conflict with information provided by PARITY, this Official Notice of Sale shall control. The City’s computation of true interest cost of each bid will be controlling.

An electronic bid shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facility being the sole risk of the prospective bidder.

For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

Bids may be submitted electronically via PARITY pursuant to this notice, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this notice, the terms of this notice shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 404-8102. The fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder.

Payment and Delivery of the Bonds

Payment for the Bonds shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Bonds will be delivered on or about December 22, 2009, or as soon thereafter as the Bonds may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Bonds, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. A certificate for each interest rate will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of $40,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Bonds purchased. The successful bidder shall be required to deposit the Bonds with DTC as a condition to delivery of the Bonds. The City will make payment of the principal and interest on the Bonds to DTC or its nominee as registered owner of the Bonds. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the City that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The City assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Bonds. Notices, if any, given by the City to DTC are redistributed in the same manner as are payments. The City assumes no liability for the failure of DTC, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Bonds. The City is not responsible for supervising the activities or reviewing the records of DTC, its participants or other persons acting through such participants. In the event that the securities depository relationship with DTC for the Bonds is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Bonds in fully registered certificated Bonds in the denomination of $40,000 or any integral multiple thereof in the aggregate principal amount of Bonds of the same interest rate then outstanding as directed by the registered owners of the Bonds.

Issue Price Certificate

In order for the City to comply with certain conditions of the Internal Revenue Code, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts, necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

Minority Participation

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City Bonds and Bonds. The Commission, under its stated policy, strongly desires that a minimum of 5% of the Bonds are underwritten by firms which are certified by the State of Wisconsin as being minority-owned. The Commission urges prospective bidders to utilize the list of firms so certified by the State of Wisconsin that is available from the City Comptroller upon request, and to include such firms in their bidding group. The Commission further strongly desires certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority participation in bids is strongly encouraged by the Commission, but is not a requirement for submitting a bid. Minority-owned firms that are not yet certified by the State of Wisconsin and wish to be, may contact the State of Wisconsin Department of Development.

Notice Regarding Negotiated Sales: Bidders who are interested in participating in future negotiated sales of the City are encouraged to read the "Special Notice Regarding Negotiated Underwritings" that is included in the enclosure entitled "Minority Owned Underwriting Firms".

Authorization, Security, and Conditions of Delivery

The Bonds have been approved by a resolution adopted by the Common Council of the City. The Bonds will be direct general obligations of the City, payable from taxes levied on all taxable property within said City, subject to taxation by said City, without limitation as to rate or amount. The Bonds are being issued pursuant to the provisions of Section 67.05(5), Wisconsin Statutes, for the purpose various school construction projects. As additional security for repayment of the Bonds, the City has pledged to make regular payments into a sinking fund to provide for the payment of the Bonds at maturity. The sinking fund deposits will begin no later than December 15, 2014, and be of substantially equal annual amounts through maturity.

The Bonds are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinion, together with the completed Bonds, will be furnished to the successful bidder at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of said Bonds. The Preliminary Official Statement is in a form which the City "deems final" as November 30, 2009 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder will also be furnished with up to one hundred copies of the Final Official Statement issued in conjunction with this offering within seven business days after the award of the Bonds in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Bonds, but neither the failure to include such numbers on any Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Bond or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 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. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Bonds, to provide in a timely manner and notice of certain events with respect to the Bonds. Notice of the occurrence of certain events with respect to the Bonds will be provided to the MSRB through the EMMA.

The successful bidder may, at its option, refuse to accept the Bonds if prior to their delivery, any income tax law of the United States of America shall provide that the tax credit is no longer available, and in such case the deposit made by them will be returned and they will be relieved of their contractual obligations arising from the acceptance of their proposal.

The City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder. The use of bond insurance will require insurance related certifications by the bidder in the Issue Price certificate. The City will assist in the reoffering of the Bonds with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder does not have the option to refuse delivery of the Bonds due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS
City Comptroller and Secretary
Public Debt Commission
City Hall, Room 404
200 E. Wells St.
Milwaukee, WI 53202

By order of the Commissioners of the
Public Debt of the City of Milwaukee

KENNETH C. KREI, Chairperson
MARGARET J. HENNINGSEN, Member
JENNIFER A. MISWALD, Member
COMMISSIONERS OF THE PUBLIC DEBT

November 30, 2009

OFFICIAL BID FORM
(Electronic Bids also accepted via Parity – See the Official Notice of Sale)

$48,000,000 (subject to change)
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS
QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2009 M6 (TAX CREDIT)

December 9, 2009

Commissioners of the Public Debt
200 E. Wells St., Room 404
Milwaukee, Wisconsin 53202

Commissioners:

We offer to purchase the General Obligation Corporate Purpose Bonds, Qualified School Construction Bonds, Series 2009 M6 (Tax Credit) (the "Bonds") of the City of Milwaukee, Wisconsin, in the principal amount set forth below, as described in the Official Notice of Sale, dated November 30, 2009 of said Bonds, which Notice is by reference incorporated herein, and made a part of the bid described herein.

The Bonds shall mature on December 15 in the year of the maximum maturity, and bear a tax credit rate, as determined on the sale date *. The Bonds shall have the par amount and bear interest at the following rate per annum, and we will pay the purchase price plus accrued interest, if any, to the date of delivery, as follows:

Par Amount ($57,000,000 maximum) (1)	Interest Rate (2)	Purchase Price ($48,200,000 minimum, $48,500,000 maximum)
$____________	_____._____%	$__________________

(1) The Par Amount shall be a maximum amount of $57,000,000 and shall be in multiples of $40,000. There is no minimum par amount.
(2) Interest rate must be no greater than 3.00%, and in multiples of 1/8 or 1/100 of one percent.

Note: The City is looking for the lowest Par Amount and lowest Interest Rate that produces a minimum purchase price of $48,200,000. The City anticipates the lowest TIC, excluding the tax credit payments, will be from bids with a 0.00% interest rate.

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by said Notice, enclosed herewith is a certified check or a cashier's check drawn on a state or national bank or trust company for $480,000 as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with said Notice.

If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.

By 3:00 p.m. Central Time on the day after receiving the award, we will provide to the City the following information for each member of the underwriting syndicate: Names, initial participation, and minority status. In addition, prior to closing, we agree to provide final participation for each member.

By: ____

Phone Number: ______________________________

____
Company Name

No addition, alteration or change is to be made to the form of this bid.

* On the sale date, the maturity date and tax credit rate may be obtained by calling 414-286-2319.

RECEIPT

Return of Good Faith Deposit is hereby acknowledged: ______________________________

By:______________________________

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

____

____

Please attach a list of account members –

If we receive the award of the Bonds, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting of the Bonds so awarded and the amount of each firm's participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Bonds. Immediately upon receiving the Final Official Statement from you, we agree to file with, and provide a sufficient number of copies of the Final Official Statement, with the MSRB. Thereafter, additional copies of the Final Official Statement may be obtained from the NRMSIR's

MINORITY OWNED UNDERWRITING FIRMS
As of August 2008[1]
Updated March 2009

Note: The following list of minority owned underwriting firms as certified by the State of Wisconsin Department of Commerce, Bureau of Minority Business Development is provided for the information of potential proposers.

Mr. Michael Yap
Americal Securities, Inc.
290 7th Avenue
San Francisco, CA 94118
(415) 666-0633
amcalsec@aol.com

Mr. Elton Johnson, Jr.
Amerivet Securities, Inc.
P.O. Box 1074
Ingelwood, CA 90308
(310) 641-6284
amerivet@aol.com

Ms. Deborah Moore
Apex Securities, Inc.
333 Clay Street, Suite 1310
Houston, TX 77002
(713) 650-1122
moored@rfp-co.com

Mr. Nathaniel H. Christian
Blaylock & Partners, L.P.
399 Park Avenue, 15th Floor
New York, NY 10022
(212) 715-6623
nchristian@blaylocklp.com

Mr. Bufus Outlaw
Boe Securities
1500 JFK Boulevard, #439
Philadelphia, PA 19102-0000
(215) 568-5500
boutlaw@boegroup.com

Mr. Martin Cabrera, Jr.
Cabrera Capital Markets, Inc.
10 South LaSalle Street, Suite 1050
Chicago, IL 60603
(312) 236-8888
mc@cabreracapital.com

Shawn Baldwin
Capital Management Group Securities, LLC
542 North Dearborn Street
Chicago, IL 60606
(312) 578-0470
sbaldwin@cmgfunds.com

Mr. Patrick DeCatalonge
CastleOak Securities, L.P.
110 East 59th Street, 2nd Floor
New York, NY 10022
(212) 829-5439
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Mr. Joei Bernard
Cathay Financial, Inc.
777 Thirds Avenue, 30th Floor
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2722 Unicorn Lane, N.W.
Washington, DC 20015
(202) 364-3996
ewingcap@ewing.com

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Financial & Realty Service, LLC
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Silver Spring, MD 20910
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Holland Capital Management, L.P.
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schamberlain@hollandcap.com

Mr. Eric H. Pookrum
Innova Securities, Inc.
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Suitland, MD 20746-1376
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stnappes@aol.com

Mr. John F. Thompson
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J.A. White & Associates
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Mr. Robert Campbell
Mr. Stanley Grayson
M.R. Beal & Company
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bbeal@mrbeal.com

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MAGNA Securities Corp.
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New York, NY 10170
(212) 547-3740
patwinans@magnasecurities.com

Ms. Belinda Pedroso
The Malachi Group, Inc.
12 Piedmont Center, Suite 410
Atlanta, GA 30305
(404) 237-3031

1 Source: Retrieved from the State of Wisconsin – Department of Administration (www.doa.state.wi.us/deo/mbe/) on August 2008.

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pleung@montroseintl.com

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December 1, 2009

Supplement to the Preliminary Official Statement

$48,000,000*
CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS
QUALIFIED SCHOOL CONSTRUCTION BONDS
SERIES 2009 M6 (TAX CREDIT)

Maturity Date: **December 15, 2025 (1)**

(1) As of December 1, 2009, the maximum allowable maturity is 16 years. Historically, the IRS has changed the maximum allowable maturity on the first day of each month, and not during the month. Assuming the historical practice continues, the maturity date of the Bonds will be as indicated.

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