

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2003

NEW ISSUES -- Book Entry Only

RATINGS: See "RATINGS" herein.

In the opinion of Hawkins, Delafield & Wood and Quarles & Brady LLP, Bond Counsel, under existing law interest on the 2003 RACM Bonds (but not the 2003 City Notes) is exempt from present State of Wisconsin income taxes. Interest on the 2003 City Notes and the 2003 RACM Bonds is included in gross income for federal income tax purposes. See "TAX MATTERS" herein.

CITY OF MILWAUKEE, WISCONSIN

\$ _____ * TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, 2003 SERIES M10
\$ _____ * TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, 2003 SERIES M11

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE, WISCONSIN

\$ _____ * TAXABLE PENSION FUNDING BONDS, 2003 SERIES B
\$ _____ * TAXABLE PENSION FUNDING BONDS, 2003 SERIES C
\$ _____ * TAXABLE PENSION FUNDING BONDS, 2003 SERIES D
(MILWAUKEE PUBLIC SCHOOLS)

Dated: Date of Issuance

Due: April 1, as shown on inside cover page

The City of Milwaukee, Wisconsin (the "City") is issuing its Taxable General Obligation Promissory Notes, 2003 Series M10 and 2003 Series M11 (collectively, the "2003 City Notes") and the Redevelopment Authority of the City of Milwaukee, Wisconsin ("RACM") is issuing its Taxable Pension Funding Bonds, 2003 Series B, 2003 Series C and 2003 Series D (Milwaukee Public Schools) (collectively, the "2003 RACM Bonds") to fund payments to be made by the Milwaukee Public Schools ("MPS") to the Wisconsin Retirement System with respect to MPS' unfunded actuarial accrued liability for retirement benefits for MPS employees.

The 2003 City Notes 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 2003 RACM Bonds are special, limited obligations of RACM and do not constitute a debt of the City, MPS, the State of Wisconsin or any political subdivision thereof or a charge against their general credit or taxing power. RACM has no taxing power.**

The payment of the principal of and interest on the 2003 City Notes and the 2003 RACM Bonds (collectively, the "2003 Securities") when due will be insured by a financial guaranty insurance policy to be issued by _____ concurrently with the delivery of the 2003 Securities.

[Bond Insurer Logo]

This cover page contains information for quick reference only. It is not a summary of these issues. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2003 Securities will be offered when, as and if issued by the City and RACM and accepted by the Underwriters, subject to the approval of legality by Hawkins, Delafield & Wood and Quarles & Brady LLP, Bond Counsel. It is expected that the 2003 Securities in definitive form will be available through the facilities of DTC, New York, New York, and through the Euroclear System and Clearstream, Luxembourg in Europe on or about December __, 2003,

LEHMAN BROTHERS

CITIGROUP GLOBAL MARKETS, INC.

ABN AMRO FINANCIAL SERVICES, INC.
MELVIN SECURITIES, LLC

LOOP CAPITAL MARKETS, INC.
MORGAN STANLEY
Morgan Stanley & Co. Incorporated

Broker Dealer for Auction Rate Securities: Lehman Brothers

* Subject to change.
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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The securities described herein may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of any such jurisdiction.

MATURITY SCHEDULE

**CITY OF MILWAUKEE, WISCONSIN
TAXABLE GENERAL OBLIGATION PROMISSORY NOTES**

\$_____ * 2003 Series M10
(City Capital Appreciation Notes)

<u>Maturity Date</u> <u>(April 1)</u>	<u>Issue</u> <u>Amount</u>	<u>Accreted</u> <u>Value</u> <u>Rate</u>	<u>Accreted</u> <u>Value at</u> <u>Maturity</u>	<u>CUSIP No.</u> [†]	<u>ISIN No.</u> [†]
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\$_____ * 2003 Series M11
(City Current Interest Notes)

<u>Maturity</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP No.</u> [†]	<u>ISIN No.</u> [†]
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\$_____ % Term Bonds Due April 1, 20__ @ _____ %
\$_____ % Term Bonds Due April 1, 20__ @ _____ %

† CUSIP numbers and ISIN numbers are provided for convenience of reference only. Neither the City, RACM, MPS nor the Underwriters take any responsibility for the accuracy of such numbers.

* Subject to change.

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE, WISCONSIN
TAXABLE PENSION FUNDING BONDS
(MILWAUKEE PUBLIC SCHOOLS)**

\$_____ * 2003 Series B
(RACM Current Interest Bonds)

<u>Maturity (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.</u> [†]	<u>ISIN No.</u> [†]
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\$_____ % Term Bonds Due April 1, 20__ @ _____ %
\$_____ % Term Bonds Due April 1, 20__ @ _____ %

\$_____ * 2003 Series C
(RACM Capital Appreciation Bonds)

<u>Maturity Date (April 1)</u>	<u>Issue Amount</u>	<u>Accreted Value Rate</u>	<u>Accreted Value at Maturity</u>	<u>CUSIP No.</u> [†]	<u>ISIN No.</u> [†]
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\$_____ * 2003 Series D
(Auction Rate Securities)

<u>Maturity Date (April 1)</u>	<u>Principal Amount</u>	<u>Initial Auction Rate Period</u>	<u>Initial Interest Rate</u>	<u>Initial Interest Payment Date</u>	<u>CUSIP No.</u> [†]	<u>ISIN No.</u> [†]
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[†] CUSIP numbers and ISIN numbers are provided for convenience of reference only. Neither the City, RACM, MPS nor the Underwriters take any responsibility for the accuracy of such numbers.

* Subject to change.

REGARDING USE OF THIS OFFICIAL STATEMENT

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 the 2003 Securities by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the City, RACM, the Milwaukee Board of School Directors ("MPS") or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, RACM, MPS or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the 2003 Securities. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and, with respect to information obtained from sources other than the City, RACM or MPS, is not to be construed as a representation by the City, RACM, or MPS. The information and expressions of opinions herein are subject to change without notice, and neither 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, RACM or MPS since the date hereof. This Official Statement is submitted in connection with the sale of the 2003 Securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Certain statements in this Official Statement, which may be identified by the use of such terms as plan, project, expect, estimate, budget or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involved known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. Neither the City, RACM nor MPS plans to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2003 Securities have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such act. The registration or qualification of the 2003 Securities in accordance with the applicable provisions of securities laws of the states in which the 2003 Securities have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the 2003 Securities or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

In connection with the offering of the 2003 Securities, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the 2003 Securities offered hereby at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2003 Securities to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

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SUMMARY OF SELECTED INFORMATION -- 2003 CITY NOTES

This Summary of Selected Information -- 2003 City Notes is subject in all respects to the more complete information contained in this Official Statement, and the offering of the City of Milwaukee, Wisconsin Taxable General Obligation Promissory Notes, 2003 Series M10 and 2003 Series M11 (collectively, the "2003 City Notes") referred to herein to potential purchasers is made only by means of the entire Official Statement.

City of Milwaukee, Wisconsin

The City of Milwaukee, Wisconsin (the "City") was incorporated on January 31, 1846 pursuant to the laws of the territory of Wisconsin. The City, operating under a Home Rule Charter since 1847, has a council-mayor form of government. The City is Wisconsin's largest city with a population of 595,958 and is the principal trade, service and financial center of southeastern Wisconsin.

Milwaukee Public Schools

The Milwaukee Board of School Directors which operates the Milwaukee Public Schools ("MPS") was established on February 3, 1846 and operates under Chapter 119 of the Wisconsin Statutes. MPS provides elementary, secondary, vocational and special education services for grades K through 12 to residents of the City.

Purpose of the Issue

The 2003 Securities are being issued to provide funds to allow MPS to retire its unfunded actuarial accrued liability (the "UAAL") currently owed to the Wisconsin Retirement System ("WRS") with respect to retirement benefits for MPS employees. As of the date of closing, the UAAL is projected to be \$_____. The proceeds from the sale of the 2003 City Notes will be used to (i) pay, in part, the UAAL owed to WRS and (ii) pay certain costs associated with the issuance of the 2003 City Notes. See "PLAN OF FINANCING."

Series:

The 2003 City Notes will be issued in the following series:

\$_____ * Series 2003 M10 (City Capital Appreciation Notes)

\$_____ * Series 2003 M11 (City Current Interest Notes)

Maturities and Interest Rates:

See the Maturity Schedule on the inside cover page for information concerning the maturity dates and interest rates of the 2003 City Notes. Interest on the City Current Interest Notes will be payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2004. The City Capital Appreciation Notes will accrete in value from the Date of Issuance at the Accreted Value Rates set forth on the inside cover page, compounded semi-annually at such rate on April 1 and October 1 of each year, commencing April 1, 2004, to the maturity thereof. No payments will be made on the City Capital Appreciation Notes prior to their maturity. See "THE 2003 SECURITIES" herein.

Redemption:

The 2003 City Notes are not subject to optional redemption prior to maturity. The City Current Interest Notes maturing on April 1, 20__, April 1, 20__ and April 1, 20__ are subject to mandatory sinking fund redemption prior to maturity. See "THE 2003 SECURITIES—Current Interest Securities—Mandatory Sinking Fund Redemption" herein.

Security and Source of Payments for the 2003 City Notes:

The 2003 City Notes are a general obligation of the City. Principal and interest on the 2003 City Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Bond Insurance

Payment of principal of and interest the 2003 City Notes when due, will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the 2003 City Notes by _____ (the "Bond Insurer"). See "BOND INSURANCE" and APPENDIX G—"SPECIMEN BOND INSURANCE POLICY."

Certain Risk Factors

An investment in the 2003 City Notes involves certain risks which are different than the risks involved in an investment in the 2003 RACM Bonds. Investors must read this entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2003 City Notes.

Form of the 2003 Securities

The 2003 City Notes will be in fully registered form and will be issued in denominations of (i) \$5,000 or any integral multiple thereof with respect to the City Current Interest Notes and (ii) \$5,000 Maturity Amount or any integral multiple thereof with respect to the City Capital Appreciation Notes. The 2003 City Notes will initially be issued in book-entry form and will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Clearstream and the Euroclear System may hold omnibus positions on behalf of the ir participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of the ir respective depositories which in turn are to hold such positions in customers' securities accounts in the depositories' names on the books of DTC. See APPENDIX F—"BOOK-ENTRY SYSTEM."

SUMMARY OF SELECTED INFORMATION -- 2003 RACM BONDS

This Summary of Selected Information is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Redevelopment Authority of the City of Milwaukee, Wisconsin Taxable Pension Funding Bonds, 2003 Series B, 2003 Series C and 2003 Series D (collectively, the "2003 RACM Bonds") referred to herein to potential purchasers is made only by means of the entire Official Statement.

Redevelopment Authority of the City of Milwaukee, Wisconsin

The Redevelopment Authority of the City of Milwaukee, Wisconsin ("RACM") is a redevelopment authority created by the City of Milwaukee, Wisconsin (the "City") pursuant to section 66.1333 of the Wisconsin Statutes (the "Act").

Milwaukee Public Schools

The Milwaukee Board of School Directors which operates the Milwaukee Public Schools ("MPS") was established on February 3, 1846 and operates under Chapter 119 of the Wisconsin Statutes. MPS provides elementary, secondary, vocational and special education services for grades K through 12 to residents of the City.

Purpose of the Issue:

The 2003 RACM Bonds are being issued to provide funds to allow MPS to retire its unfunded actuarial accrued liability (the "UAAL") currently owed to the Wisconsin Retirement System ("WRS") with respect to retirement benefits for MPS employees. As of the date of closing, the UAAL is projected to be \$_____. The proceeds from the sale of the 2003 RACM Bonds will be used to (i) make a loan to MPS pursuant to the Loan Agreement dated as of _____, 2003 (the "Loan Agreement") among RACM, the City and MPS (and MPS will use the loan proceeds to pay, in part, the UAAL owed to WRS) and (ii) pay certain costs associated with the issuance of the 2003 RACM Bonds. See "PLAN OF FINANCING."

Series:

The 2003 RACM Bonds will be issued in the following series:

\$_____ * Series 2003 B (RACM Current Interest Bonds)
\$_____ * Series 2003 C (RACM Capital Appreciation Bonds)
\$_____ * Series 2003 D (Auction Rate Securities)

Maturities and Interest Rates:

See the Maturity Schedule on the page following the inside cover page for information concerning the maturity dates and interest rates of the 2003 RACM Bonds. Interest on the RACM Current Interest Bonds is payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2004. The RACM Capital Appreciation Bonds will accrete in value from the Date of Issuance at the Accreted Value Rates set forth on the inside cover page, compounded semi-annually at such rate on April 1 and October 1 of each year, commencing April 1, 2004. No payments will be made on the RACM Capital Appreciation Bonds prior to their maturity. Interest on the Auction Rate

Securities will accrue at an initial rate of ___% per annum to and including _____, 20__ and thereafter at the Applicable Auction Rates until the Fixed Rate Conversion Date for such Auction Rate Securities. Interest on the Auction Rate Securities is payable on each Auction Date. See "THE 2003 SECURITIES" herein.

Redemption:

The RACM Current Interest Bonds and the RACM Capital Appreciation Bonds are not subject to optional redemption prior to maturity. The Auction Rate Securities are subject to optional redemption prior to maturity. See "THE 2003 SECURITIES—Auction Rate Securities—*Optional Redemption*" herein. The RACM Current Interest Bonds maturing April 1, 20__, April 1, 20__ and April 1, 20__ are subject to mandatory sinking fund redemption prior to maturity. See "THE 2003 SECURITIES—Current Interest Securities—*Mandatory Sinking Fund Redemption*" herein.

Security and Source of Payments for the 2003 Securities

The 2003 RACM Bonds are special, limited obligations of RACM payable solely from the Revenues. **The 2003 RACM Bonds do not constitute a debt or indebtedness of the City, MPS, the State of Wisconsin or any political subdivision thereof and are not a charge against their general credit or taxing power. RACM has no taxing power.**

The 2003 RACM Bonds will be issued under a Trust Indenture dated as of _____, 2003 (the "Trust Indenture") between RACM and Deutsche Bank, as trustee (the "Trustee") and are secured by (a) all cash and securities held in the Trust Funds and the investment earnings thereon (b) all payments made under the Loan Agreement and the Note issued by the City, on behalf of MPS, pursuant to the Loan Agreement (the "MPS Note"). The City's and MPS' obligations under the Loan Agreement and MPS Note are payable solely from moneys in the School Operations Fund held by the City. MPS has pledged certain State Aid payments received by MPS from the State of Wisconsin to secure the payment of debt service under the Loan Agreement and the MPS Note.

Bond Insurance

Payment of principal of and interest the 2003 RACM Bonds when due, will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the 2003 Securities by _____ (the "Bond Insurer"). See "BOND INSURANCE" and APPENDIX G—"FORM OF BOND INSURANCE POLICY."

Certain Risk Factors

An investment in the 2003 RACM Bonds involves certain risks which are different than the risks involved in an investment in the 2003 City Notes. Investors must read this entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters

set forth herein, in evaluating the investment quality of the 2003 RACM Bonds.

Form of the 2003 Securities

The 2003 RACM Bonds will be in fully registered form and will be issued in denominations of (i) \$5,000 or any integral multiple thereof with respect to the RACM Current Interest Bonds, (ii) \$5,000 Maturity Amount or any integral multiple thereof with respect to the RACM Capital Appreciation Bonds and (iii) \$25,000 or any integral multiple thereof with respect to the Auction Rate Securities. The 2003 RACM Bonds will initially be issued in book-entry form and will be registered in the name of Cede & Co., as registered owner and nominee of DTC. Clearstream and the Euroclear System may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories which in turn are to hold such positions in customers' securities accounts in the depositories' names on the books of DTC. See APPENDIX F-"BOOK-ENTRY SYSTEM."

OFFICIAL STATEMENT

CITY OF MILWAUKEE, WISCONSIN
TAXABLE GENERAL OBLIGATION PROMISSORY NOTES
\$ _____ * 2003 Series M10 ((City Capital Appreciation Notes)
\$ _____ * 2003 Series M11 City Current Interest Notes)

and

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE, WISCONSIN
TAXABLE PENSION FUNDING BONDS
(MILWAUKEE PUBLIC SCHOOLS)
\$ _____ * 2003 Series B (RACM Current Interest Bonds)
\$ _____ * 2003 Series C (RACM Capital Appreciation Bonds)
\$ _____ * 2003 D Series (Auction Rate Securities)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (the "Official Statement"), provides certain information concerning the issuance, sale and delivery of (a) the City of Milwaukee, Wisconsin Taxable General Obligation Promissory Notes, in an aggregate principal amount of \$ _____* (the "2003 City Notes") comprised of two series: \$ _____* in aggregate principal amount of 2003 Series M10 (the "City Capital Appreciation Notes"); and \$ _____* in aggregate principal amount of 2003 Series M11 (the "City Current Interest Notes"); and (b) the Redevelopment Authority of the City of Milwaukee, Wisconsin Taxable Pension Funding Bonds, in an aggregate principal amount of \$ _____* (the "2003 RACM Bonds") comprised of three series: \$ _____* in aggregate principal amount of 2003 Series B (the "RACM Current Interest Bonds"); \$ _____* in aggregate principal amount of 2003 Series C (the "RACM Capital Appreciation Bonds"); and \$ _____* in aggregate principal amount of 2003 Series D (the "Auction Rate Securities"). In this Official Statement the term "2003 Securities" refers to both the 2003 City Notes and the 2003 RACM Bonds, the term "Current Interest Securities" refers to both the City Current Interest Notes and the RACM Current Interest Bonds and the term "Capital Appreciation Securities" refers to both the City Capital Appreciation Notes and the RACM Capital Appreciation Bonds.

For definitions of certain words and terms used but not otherwise defined herein, see APPENDIX E-"DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS."

The Milwaukee Board of School Directors ("MPS") provides elementary, secondary, vocational and special educational services for grades K through 12 to residents of the City of Milwaukee, Wisconsin (the "City"). The 2003 Securities are being issued to provide funds to allow MPS to retire its current unfunded actuarial accrued liability (the "UAAL") to the Wisconsin Retirement System ("WRS"). The UAAL is projected to be \$ _____ as of the date of closing. See "PLAN OF FINANCING." 2003 Wisconsin Act 43 ("Act 43") amended Section 119.498 of the Wisconsin Statutes to authorize the City to issue notes to pay the UAAL. Act 43 also amended Section 66.1333 of the Wisconsin Statutes to authorize the Redevelopment Authority of the City of Milwaukee, Wisconsin ("RACM") to issue bonds and loan the proceeds to MPS to pay the UAAL.

The 2003 City Notes will be issued pursuant to a resolution adopted _____, 2003 (the "Note Resolution") by the Common Council of the City and a resolution of the Public Debt Commission of the City. The proceeds from the sale of the 2003 City Notes will be used to: (i) pay, in part, the UAAL owed by MPS to WRS and (ii) pay certain costs associated with the issuance of the 2003 Securities.

* Subject to change.

The 2003 City Notes are direct general obligations of the City. Payment of the 2003 City Notes 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 2003 City Notes.

The 2003 RACM Bonds will be issued pursuant to the Trust Indenture dated as of _____ 1, 2003 (the "Trust Indenture"), by and between RACM and Deutsche Bank, as trustee (the "Trustee"). RACM will loan the 2003 RACM Bond proceeds to MPS pursuant to the Loan Agreement dated as of _____ 1, 2003 (the "Loan Agreement") among RACM, MPS and the City, as agent of MPS. The City, on behalf of MPS, will issue its Note (the "MPS Note") payable to the order of RACM to evidence such loan. The City is a party to the Loan Agreement and the MPS Note solely in its role as a custodian of MPS' funds and will act thereunder as the agent of MPS and at the direction of MPS in fulfillment of that role. The City, on behalf of MPS, is obligated under the MPS Note to make payments of principal, premium, if any, and interest corresponding to the payments due and payable under the 2003 RACM Bonds from monies in the School Operations Fund held by the City to the extent appropriated by MPS. Repayment of debt service under the Loan Agreement and the MPS Note is secured by a pledge of State Aid payments. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2003 SECURITIES—2003 RACM Bonds." The proceeds from the sale of the 2003 RACM Bonds will be used to: (i) make the loan to MPS pursuant to the Loan Agreement (and MPS will use the loan proceeds to pay, in part, the UAAL owed WRS) and (ii) pay certain costs associated with the issuance of the 2003 RACM Bonds.

The 2003 RACM Bonds are special, limited obligations of RACM payable solely from the Revenues. The 2003 RACM Bonds do not constitute a debt or indebtedness of the City, MPS, the State of Wisconsin or any political subdivision thereof and are not a charge against their general credit or taxing power. RACM has no taxing power.

Payment of the principal of and interest on the 2003 Securities when due will be insured by a financial guaranty insurance policy to be issued by _____ simultaneously with the delivery of the 2003 Securities. See "BOND INSURANCE" and "APPENDIX G-FORM OF BOND INSURANCE POLICY" herein for more information concerning the financial guaranty insurance policy.

This Official Statement contains brief descriptions of the City, RACM and MPS, and brief descriptions and summaries of the 2003 Securities, the Note Resolution, the Trust Indenture, the Loan Agreement, the MPS Note and the DPI Agreement. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. See "MISCELLANEOUS" herein for information regarding availability of the documents.

THE ISSUERS

City of Milwaukee, Wisconsin

The City was incorporated on January 31, 1846 pursuant to the laws of the territory of Wisconsin. The City, operating under a Home Rule Charter since 1847, has a council-mayor form of government. The City is Wisconsin's largest city with a population of 595,958 and is the principal trade, service and financial center of southeastern Wisconsin. See APPENDIX A for a more detailed description of the City. APPENDIX B contains the City's audited financial statements for the year ended December 31, 2002.

Redevelopment Authority of the City of Milwaukee

RACM is a redevelopment authority created by the City pursuant to section 66.1333, Wisconsin Statutes. RACM is authorized to issue the 2003 RACM Bonds and loan the proceeds to MPS.

MILWAUKEE PUBLIC SCHOOLS

MPS was established on February 3, 1846 and operates under Chapter 119 of the Wisconsin Statutes. MPS provides elementary, secondary, vocational and special education services for grades K through 12. MPS' boundaries are coterminous with those of the City. MPS is effectively treated under the Wisconsin Statutes as a City department authorized by law to adopt its own budget. The City is required to levy and collect property taxes to support the MPS budget. All funds for MPS flow through the City Treasurer who, as the custodian of such funds by statute, disburses them at the direction of the Superintendent/Auditing Officer of MPS. The City Comptroller, City Treasurer and City Attorney perform their respective functions for MPS as well as the City. See APPENDIX C for a more detailed description of MPS. APPENDIX D contains the audited financial statements of MPS for the fiscal year ended June 30, 2002.

PLAN OF FINANCING

General

The 2003 Securities are being issued to provide funds to MPS to retire its UAAL to the WRS.

In 1982 the State of Wisconsin (the "State") merged three retirement systems, one of which covered teachers employed by MPS, into the WRS. At the time of the merger, MPS was assessed an approximately \$66 million UAAL. WRS assesses MPS a supplemental contribution requirement in the amount of 2% of covered payroll and applies that contribution against the balance of the UAAL. The 2% supplemental assessment continues until the balance is fully paid and the UAAL accrues interest at a rate currently set by WRS at 8% per year. The original UAAL was estimated to be repaid in 40 years. Due to actual results being different from the original assumptions and additional assessments, the UAAL increased to \$172,217,595 as of December 31, 2002.

On August 11, 2003 Act 43 was enacted to provide financing options to MPS with respect to the payment of the UAAL. Act 43 amended Section 119.498 of the Wisconsin Statutes to authorize the City, upon the request of MPS, to issue general obligation notes under Section 66.12(12) of the Wisconsin Statutes for the purpose of paying the UAAL. Act 43 also amended Section 66.1333 of the Wisconsin Statutes to permit RACM to issue up to \$200,000,000 of bonds having a maturity of up to 40 years to finance the payment of the UAAL if MPS adopts a resolution requesting the issuance of such bonds. Act 43 created Section 119.499 of the Wisconsin Statutes which provides that MPS may not request RACM to issue such bonds and may not request the City to issue such notes unless MPS develops information on both options and chooses the option which is in the best public interest. Section 119.499 also permits MPS to (a) use any school district revenues to repay the loan to be made by RACM to MPS with the proceeds of the 2003 RACM Bonds, (b) irrevocably request the City to remit designated revenues of MPS to RACM and (c) if MPS decides to use State Aid to repay the loan, request the Wisconsin Department of Administration to remit State Aid payments to RACM in an annual amount agreed to by MPS and the Wisconsin Department of Administration.

MPS developed information on its financing options and in a resolution adopted by MPS on _____, 2003 (the "MPS Resolution") determined to request both the issuance of the 2003 City Notes by the City and the 2003 RACM Bonds by RACM. MPS further determined, in the MPS Resolution, to pledge State Aid as security for its obligations under the Loan Agreement and the MPS Note.

On _____, 2003, the Common Council of the City adopted the resolution under which the 2003 City Notes will be issued (the "Note Resolution"). The commissioners of RACM adopted a resolution on _____, 2003 authorizing the issuance of the 2003 RACM Bonds and the execution and delivery of the Trust Indenture and the Loan Agreement.

After payment of costs of issuance, the proceeds of the 2003 Securities will be \$_____ which, together with payment previously made by MPS to WRS during 2003, will be sufficient to fully retire the UAAL.

In connection with the issuance of the Auction Rate Securities, the City on behalf of MPS will enter into an interest rate swap agreement (the "Swap Agreement") which will have the effect of causing MPS to pay a fixed

rate of interest on the portion of the outstanding principal balance of the MPS Note equal to the outstanding principal balance of the Auction Rate Securities. The Loan Agreement requires the City on behalf of MPS to make the periodic interest payments under the Swap Agreement (the "Swap Payments") to the Trustee. In the Loan Agreement, MPS has pledged State Aid to secure its obligation to make debt service payments, including Swap Payments.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2003 Securities are estimated to be applied as set forth in the following table:

Sources of Funds:	2003 City Notes	2003 RACM Bonds	Total
Par Amount	\$ _____	\$ _____	\$ _____
 Uses of Funds:			
Payment of UAAL ⁽¹⁾	\$ _____	\$ _____	\$ _____
Costs of Issuance ⁽²⁾	_____	_____	_____
Underwriters' Discount	_____	_____	_____
TOTAL	\$ _____	\$ _____	\$ _____

(1) See "PLAN OF FINANCING."

(2) Includes fees of Bond Counsel and the Financial Advisor, other fees relating to the credit ratings, printing, accounting, bond insurance premium and other costs of issuance.

SECURITY AND SOURCE OF PAYMENT FOR THE 2003 SECURITIES

2003 City Notes

The 2003 City Notes 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 2003 City Notes.

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 2003 City Notes as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid bonds or notes 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.

2003 RACM Bonds

The 2003 RACM Bonds will be issued as special, limited obligations of RACM under Section 66.1333, Wisconsin Statutes, payable solely from the Revenues (as defined below), and shall not constitute a general obligation of the City or any other political subdivision of the State or a charge upon the general fund of the City and the full faith and credit of the City are not pledged to the payment of the principal and interest on the 2003 RACM Bonds. No Owners of 2003 RACM Bonds shall have the right to compel any exercise of the taxing power of the City to pay principal of the Bonds or the interest thereon. The 2003 RACM Bonds are not secured directly or indirectly by the full faith and credit or the general credit of the City or any other political subdivision of the State or by any revenues or taxes of the City or any other political subdivision of the State other than the payments to be made by the City on behalf of MSBD pursuant to the Loan Agreement and the MPS Note.

The Indenture provides that the 2003 RACM Bonds are secured by the Revenues which is defined as follows:

"Revenues" shall mean (a) all monies and investment securities in the School Operations Fund established and maintained by the Borrower in accordance with Section 119.46, Wisconsin Statutes, as the same may be amended or renumbered from time to time, or any similar fund or account hereafter established by the Borrower, but only to the extent monies therein have been appropriated by the Milwaukee Board of School Directors for Payments, (b) State Aid, (c) earnings on the investments held by the Trustee in trust funds established under the Indenture and (d) any other income, revenues and monies derived by the Authority under the Loan Agreement and the MPS Note. The term "Revenues" shall not include monies received as proceeds for the sale of the Bonds or from the sale of any other bonds, notes or evidences of indebtedness.

The School Operations Fund is established by Section 119.46, Wisconsin Statutes, and is held by the City on behalf of MPS. Revenues from the local property tax, state aid payments and federal school aid payments are deposited into the School Operations Fund. See APPENDIX C—"MILWAUKEE PUBLIC SCHOOLS—REVENUES OF MILWAUKEE PUBLIC SCHOOLS." The Loan Agreement requires the City, on behalf of MPS, to make payments from the School Operations Fund to the Trustee for deposit into the Bond Fund established under the Trust Indenture to the extent appropriate by MPS so that by January 1 of each year an amount equal to the Loan Payments and the Swap Payments due for the period from the following April 1 through the following September 30 is on deposit with the Trustee and so that by August 1 of each year an amount equal to the Loan Payments and Swap Payments for the period from the following October 1 through March 31 is on deposit with the Trustee. See APPENDIX E—"DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS—SUMMARY OF LOAN AGREEMENT—_____".

If the required amount is not on deposit with the Trustee on certain specified dates, the Trustee will have access to "State Aid" to fund any shortfall.

"State Aid" means the general school aid payments made by the State to MPS pursuant to Section 121.15, Wisconsin Statutes, as the same may be amended or renumbered from time to time, or any other payments made directly or indirectly by the State to MPS in partial or full replacement or substitution for the school aid payments now made under Section 121.15, Wisconsin Statutes. The term "State Aid" does not include intradistrict aid paid by the State to the MPS under Section 121.85(6)(a), (am) and (ar), Wisconsin Statutes, as the same may be amended or renumbered from time to time.

MPS receives State Aid payments currently in March, June, July, September and December of each year (each a "State Aid Payment Date"). Such payments are received by the City Treasurer and deposited into the School Operations Fund. The Agreement dated as of _____ 1, 2003 (the "DPI Agreement") among the State of Wisconsin Department of Administration ("DOA"), acting on behalf of the State, the Department of Public Instruction ("DPI"), RACM, MPS and the Trustee provides that on the day which is 45 days prior to the State Aid Payment Date immediately preceding each April 1 and October 1, the Trustee shall determine whether the required amount is in the Interest Account and the Principal Account of the Bond Fund. If there is a shortfall (a "Deficiency"), the Trustee will notify DOA, DPI, RACM and MPS of the Deficiency no later than 30 days before the applicable State Aid Payment Date. In the DPI Agreement DPI has irrevocably instructed DOA to remit State Aid payments to the Trustee upon receipt of such notice. Accordingly, on the State Aid Payment Date following such a notice from the Trustee, DOA will remit a portion of the State Aid payment equal to the Deficiency to the Trustee for deposit in the Bond Fund.

The following table sets forth the aggregate amount of School Aid received by MPS during its fiscal years ending June 30, 1998-2002:

<u>Fiscal Year</u>	<u>State Aid</u>
<u>Ending June 30</u>	

1998
1999
2000
2001
2002

BOND INSURANCE

The following information concerning the Bond Insurer and the Bond Insurance Policy has been provided by _____ (the "Bond Insurer") for use in this Official Statement and has not been independently certified or verified by the City, RACM, MPS or the Underwriters. No representation is made by the City, RACM, MPS or the Underwriters as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of Bond Insurer subsequent to the date of this Official Statement. Reference is made to APPENDIX H for a specimen of the Bond Insurance Policy.

The Insurance Policy

Bond Insurer

CERTAIN RISK FACTORS

The following information should be considered by potential investors in evaluating the credit quality of the 2003 Securities. However, it does not purport to be an exhaustive list of the risks or other considerations which may be relevant to an investment in the 2003 Securities. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

General

Limitation of Remedies

The rights of the Owners of the 2003 Securities are subject to the limitations on legal remedies against entities and redevelopment authorities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the Owners of the 2003 Securities to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of the rights of Bondowners.

Capital Appreciation Bonds

Capital appreciation bonds, such as the Capital Appreciation Securities, are subject to greater market volatility than bonds that pay interest semiannually. An investor who purchases a capital appreciation bond and holds it until maturity receives an amount equal to the initial investment plus the interest that has accrued over the life of the bond at a semiannual compounded rate. The investor receives this amount at maturity and, therefore, receives no current income.

An investor who sells a capital appreciation bond prior to maturity at a time when interest rates, generally, are higher than at the time the capital appreciation bond was purchased, may realize a loss on the investment. The brokerage and other costs of selling capital appreciation bonds of small denominations are likely to be significantly higher (as a percent of the principal amount of the bond) than the cost of selling securities of larger denominations. These transactional costs may, in the event of such a sale, significantly reduce or eliminate the investment return to the holder of capital appreciation bonds of small denomination.

The market value of the Capital Appreciation Securities prior to maturity will not necessarily be equal to their Accreted Value as shown in the table in APPENDIX K. The market value of a Capital Appreciation Security is determined by a number of factors, including but not limited to, its Accreted Value Rate, yields available on other investments and general market conditions.

In light of the foregoing, the Capital Appreciation Securities are intended as a long-term investment. Prospective purchasers of the Capital Appreciation Securities who believe they may have to sell their Capital Appreciation Securities prior to maturity should consider the market risk associated with such investment. Potential investors are advised to review the suitability of the Capital Appreciation Securities with their accountant or financial advisor.

2003 City Notes

Pending Levy Limit Legislation

On August 12, 2003, the Wisconsin Assembly adopted Assembly Bill 466 ("AB 466") which would impose a limit on property tax levies for local units of government for a three-year period. The provisions in AB 466 (the "levy limit provisions") state that no municipality may increase its levy in any year by a percentage that exceeds the municipality's valuation factor (which is defined as the percentage change in the municipality's January 1 equalized value due to new construction (excluding new construction in tax incremental districts) less improvements removed, but not less than zero). AB 466 excepts from the levy limit provisions the amount that the City levies for school purposes. In Bond Counsel's opinion, the 2003 City Notes would not be subject to the levy limit provisions as the 2003 City Notes are being issued for school purposes.

It cannot be predicted with certainty whether the Wisconsin Senate will adopt AB 466 in the form adopted by the Wisconsin Assembly, whether the exception from the levy limit provisions with respect to the

City's borrowings for school purposes will be retained, amended or removed entirely, or whether the Governor would veto AB 466. Similarly, other legislation may be introduced in the future which could attempt to limit municipal tax levies in some fashion. In Bond Counsel's opinion, if the 2003 City Notes are issued before any such legislation is enacted, any such limit on debt service taxes could not be validly applied to the 2003 City Notes.

2003 RACM Bonds

State Aid to MPS

MPS receives revenues from the State in the form of general school aids. State school aids are divided into two general categories referred to as general and categorical aids. General school aids are determined by formula based upon pupil membership and property valuation. Categorical aids are based upon specific instructional or supporting programs.

In 1996 the Governor and State Legislature approved reducing funding for schools from property taxes. The State approved increasing its proportionate share of school aid from 40% of [operating expenses] to at least 66.7% of [operating expenses] beginning in 1996-97. In 2003 the Governor and State Legislature determined that the State could no longer afford to target 66.7% funding for school aid. Based on the 2003-05 budget adopted by the State Legislature, MPS expects that State Aid will decline from ___% of the MPS budget during the 2002-03 school year to approximately ___% and ___% for the 2003-03 and 2004-05 school years, respectively.

Although the State has a ___-year tradition of providing state aid to local school districts to reduce their reliance on local property taxes, there can be no assurance that the State will not decrease, perhaps materially, the amount of State Aid provided to MPS. Unless offsetting revenue sources are obtained, or expenses reduced, MPS would have to increase its reliance upon the property tax to fund its operations if that were to occur.

School Choice

Under Section 119.23, Wisconsin Statutes, low-income children may attend private schools ("Parental Choice Schools") with the State providing payments to the Parental Choice Schools to defray the costs of providing education to these children. Approximately 10,300 low-income children residing in Milwaukee attended Parental Choice Schools during the 2002-2003 school year. See APPENDIX C—"MILWAUKEE PUBLIC SCHOOLS—Parental Choice Program" for more information. While the amount of State Aid payments is not currently affected by the election of students to attend a Parental Choice School, there can be no assurance that at some future time the School Aid payments will not be reduced to reflect students' attendance at Parental Choice Schools.

Parity Debt

On September 30, 2003 the City issued \$150,000,000 of its Short-Term School Order Notes, Series of 2003 M5 (Revenue Anticipation Notes) (the "2003 RANs") to fund MPS' general operations pending receipt of State Aid. The School Operations Fund was pledged as security for the repayment of the 2003 RANs in the resolution of the City's Common Council adopted on June 24, 2003. That resolution further directed the City Treasurer to establish a segregated account within the School Operations Fund to capture State Aid payments in June 2004 in the principal amount of the 2003 RANs. The 2003 RANs mature on June 30, 2004. **The claim on the School Operations Funds and June 2004 State Aid Payment for the payment of the 2003 RANs is senior to the claim of the Trustee on such monies for the benefit of the 2003 RACM Bonds.**

In prior years the City also issued revenue anticipation notes to fund MPS' operations and anticipates that it will issue revenue anticipation notes in future years for this purpose. Prior issues of revenue anticipation notes were, and the City and MPS anticipate that future issues of such revenue anticipation notes will be, secured by a pledge of the School Operations Fund. Section 67.12(1)(a), Wisconsin Statutes, limits the principal amount of revenue anticipation notes issued during any fiscal year to fund MPS' operations to 60% of Estimated School Operations Fund Revenues for that fiscal year.

Total Amount of Estimated School Operations Fund Revenues For the 2003-04 Fiscal Year	\$_____
Statutory Borrowing Limit (60% of Estimated Revenues)	_____
Principal Amount of 2003 RANs	_____
Unused Amount	_____
Percentage of Borrowing Limit Used	_____%
Percentage of Borrowing to Estimated Revenues	_____%

The Loan Agreement provides that MPS may grant a lien on the School Operations Fund and State Aid payments to secure future borrowings, including but not limited to future revenue anticipation notes, issued by the City on a parity with the lien benefiting the 2003 RACM Bonds if (a) MPS has, in its most recent budget, appropriated sufficient funds to pay the principal of and interest on the 2003 RACM Bonds and all Swap Payments scheduled to become due during that fiscal year of MPS and (b) the City shall have received (and provided a copy to the Trustee) written evidence from each rating agency which has an outstanding rating in the 2003 RACM Bonds that the rating for any of the 2003 RACM Bonds not covered by the Bond Insurance Policy will not be lowered or withdrawn as a result of the issuance of such parity debt . If MPS has not appropriated sufficient funds to make the principal and interest payments on the 2003 RACM Bonds and all Swap Payments, any lien granted by MPS on the School Operations Fund and State Aid payments for any future borrowing must be junior to the lien in favor of the Trustee which benefits the 2003 RACM Bonds.

CONSTITUTIONAL AND STATUTORY DEBT LIMITATIONS

Article XI, Section 2 of the Wisconsin Constitution limits the debt which may be incurred by any county, city, village, town, school district or other municipal corporation to an allowable percentage of the taxable property located therein. The allowable percentage is generally 5% although if a city is authorized to issue bonds for school purposes, an additional 10% (limited to 2% by statute) is permitted for school purposes only. Article XI, Section 3 of the Wisconsin Constitution requires that any county, city, village, town, school district or other municipal corporation shall, before issuing any debt, provide for a direct annual tax sufficient to pay the interest when it comes due and repay the principal within 20 years.

Limitations on Debt of the City

MPS does not have the authority to issue debt. The City has the general authority under either Chapter 67 or Section 119.49 of the Wisconsin Statutes to incur debt for the benefit of MPS. Section 67.03, Wisconsin Statutes limits direct general obligation borrowing by the City to 5% of the equalized valuation of taxable property in the City. Section 119.49, Wisconsin Statutes, authorizes additional bonding for school purposes only in an amount equal to 2% of the equalized valuation of taxable property in the City. Prior to the enactment of Act 43 , any borrowing under Section 119.49 required referendum approval. Act 43, however, provides that the 2003 City Notes will be applied to the borrowing authorized under Section 119.49 without the need for approval at a referendum and will be subject to the 2% limit of that statute rather than the 5% limit of Section 67.03, Wisconsin Statutes.

All outstanding borrowings by the City for school purposes were issued as general obligation bonds or notes under Chapter 67. See APPENDIX A-"CITY OF MILWAUKEE-Debt Structure" for additional information on prior borrowings by the City for school purposes. Shown below is the "Debt Margin" for borrowings under the 2% limit of Section 119.49:

DEBT MARGIN

2003 Equalized Value of Taxable Property in the City	\$21,730,754,000
2% Legal Debt Limit	434,615,080
2003 City Notes	_____*
Total Debt Margin	_____*
(As a Percentage)	_____ %*

Limitations on Debt of RACM

Section 66.1333, Wisconsin Statutes, as amended by Act 43, permits RACM to issue up to \$200,000,000 of bonds and loan the proceeds to MPS for purposes of funding the payment of the UAAL by MPS to the Wisconsin Retirement System. Such bonds may not have a maturity in excess of 40 years.

THE 2003 SECURITIES

Terms Applicable to All 2003 Securities

The 2003 Securities will each be dated their date of original delivery issued in fully registered form, without coupons, and, when issued, 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 securities depository of the 2003 Securities. Ownership interests in the 2003 Securities may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the 2003 Securities purchased. Payments of principal of and interest on the 2003 Securities will be paid by the City, in the case of the 2003 City Notes, or by the Trustee, in the case of the 2003 RACM Bonds, to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2003 Securities. See APPENDIX F—"BOOK-ENTRY SYSTEM."

Payment of interest on the 2003 Securities due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the registration books kept by the City, in the case of the 2003 City Notes, or by the Trustee, in the case of the 2003 RACM Bonds, as the registered owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such registered owner at the address as it appears in such books except that in the case of an Owner of \$1,000,000 or greater in aggregate principal amount of Outstanding 2003 City Notes or \$1,000,000 or greater in aggregate principal amount of outstanding 2003 RACM Bonds, such payment shall, at such Owner's written request, provided by such Owner prior to the 15th day of the month preceding such Interest Payment Date, be made by wire transfer of immediately available funds in accordance with written instructions provided by such Owner; any such written request shall remain in effect until rescinded in writing by the Owner or a change in the ownership of such 2003 Securities as shown on the registration books.

Current Interest Securities

General. The Current Interest Securities will be issued only in fully registered form, in denominations of \$5,000 and any integral multiple thereof and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover of this Official Statement. Interest on the Current Interest Securities shall be payable semiannually on April 1 and October 1 of each year commencing April 1, 2004 (each, an "Interest Payment Date").

No Optional Redemption. The Current Interest Securities are *not* subject to optional redemption prior to maturity.

* Subject to Change

Mandatory Sinking Fund Redemption.

City Current Interest Notes. The City Current Interest Notes maturing on April 1, 20__, April 1, 20__ and April 1, 20__ are each subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, and without premium, on April 1 of each year, commencing April 1, 20__, April 1, 20__ and April 1, 20__, respectively, in the principal amounts and on the redemption dates set forth below:

City Current Interest Notes maturing April 1, 20__

Mandatory Sinking Fund Payment Date <u>(April 1)</u>	<u>Principal Amount</u>
--	-------------------------

City Current Interest Notes maturing April 1, 20__

Mandatory Sinking Fund Payment Date <u>(April 1)</u>	<u>Principal Amount</u>
--	-------------------------

City Current Interest Notes maturing April 1, 20__

Mandatory Sinking Fund Payment Date <u>(April 1)</u>	<u>Principal Amount</u>
--	-------------------------

Each mandatory sinking fund redemption of these maturities of the City Current Interest Notes will be applied pro rata among the holders of the maturity of the City Current Interest Notes being redeemed.

RACM Current Interest Bonds. The RACM Current Interest Bonds maturing on April 1, 20__, April 1, 20__ and April 1, 20__ are each subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, and without premium, on April 1 of each year, commencing on April 1, 20__, April 1, 20__ and April 1, 20__, respectively, in the principal amounts and on the redemption dates set forth below:

RACM Current Interest Bonds maturing April, 1, 20__

Mandatory Sinking Fund
Payment Date
(April 1)

Principal Amount

RACM Current Interest Bonds maturing April, 1, 20__

Mandatory Sinking Fund
Payment Date
(April 1)

Principal Amount

RACM Current Interest Bonds maturing April, 1, 20__

Mandatory Sinking Fund
Payment Date
(April 1)

Principal Amount

Each mandatory sinking fund redemption of these maturities of the RACM Current Interest Bonds will be applied pro rata among the holders of the maturity of RACM Current Interest Bonds being redeemed.

Capital Appreciation Securities

No payments with respect to the Capital Appreciation Securities will be made prior to the respective maturity dates thereof. The Capital Appreciation Securities will be issued in amounts which have an Accreted Value of each such Capital Appreciation Security on the stated maturity date thereof equal to \$5,000 (the "Maturity Amount") or any integral multiple thereof. The Capital Appreciation Securities of each maturity will accrete in value from their Date of Issuance at the Accreted Value Rate and will mature on dates, all as indicated on the inside cover of this Official Statement, compounded semi-annually on April 1 and October 1 of each year, commencing April 1, 2004 until maturity. Such compounding will be calculated on the basis of a 360-day year comprised of twelve 30-day months, and the Accreted Value shall be payable only at maturity. The Accreted Value on any date other than April 1 and October 1 of any year shall be calculated by straight-line interpolation. See APPENDIX K—"TABLE OF ACCRETED VALUES" for the Accreted Values as of each April 1 and October 1 for each Maturity Amount. Such Table of Accreted Values is presented for illustrative purposes only. Any Accreted Value determined in accordance with terms of the Note Resolution, in the case of the 2003 City Capital Appreciation Notes, or of the Trust Indenture, in the case of the 2003 RACM Capital Appreciation Bonds, shall control over any different Accreted Value determined by reference to such Table.

Auction Rate Securities

General. The Auction Rate Securities will be issued only in fully registered form in denominations of \$25,000 or any integral multiple thereof. The Auction Rate Securities will initially bear interest at a rate of ____% to and including _____ 1, 20__ (the "Initial Auction Rate Period"). Following the end of the Initial Auction Rate Period, Owners shall not be entitled to put or tender their Auction Rate Securities to RACM or any

third party liquidity provider and Auctions will be held as described in APPENDIX J-"AUCTION AND SETTLEMENT PROCEDURES."

The Auction Rate Securities shall mature on the dates and in the principal amounts as set forth on the inside cover of this Official Statement. Auction Rate Securities shall bear interest as described under this caption and in APPENDIX J-"AUCTION AND SETTLEMENT PROCEDURES." Interest on the Auction Rate Securities during the Initial Auction Rate Period shall be payable on _____, 20__ and on each subsequent Auction Rate Interest Payment Date. Interest payments on the Auction Rate Securities are to be made by the Trustee to the persons who appear as registered owners on the registration books maintained by the Trustee as bond registrar as of the close of business on the second Business Day immediately preceding each Auction Rate Interest Payment Date (the "Regular Record Date").

Optional Redemption. Beginning _____ 1, 20__, the Auction Rate Securities are subject to redemption at the option of RACM on each Auction Rate Interest Payment Date, at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest with respect thereto, prior to their respective maturities in any order of maturity from any moneys available therefor, in whole or in part in any Authorized Denomination of \$25,000 or any integral multiple thereof.

Auction Rate Provisions

General. While any 2003 RACM Bonds are Auction Rate Securities, except as otherwise specifically provided in the Trust Indenture, the provisions of the Trust Indenture as summarized in APPENDIX E and the auction and settlement procedures specified in APPENDIX J shall govern the interest rates per annum and the payment terms of the Auction Rate Securities. See "-INTEREST RATES" and "-APPLICABLE AUCTION RATES." For a further description of the Auction Rate Securities, see APPENDIX E-"DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS--SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE" and APPENDIX J-"AUCTION AND SETTLEMENT PROCEDURES."

It is anticipated that Lehman Brothers Inc. will act as the initial Broker-Dealer with respect to the Auction Rate Securities. Deutsche Bank will act as the initial Auction Agent with respect to the Auction Rate Securities.

Auctions. Except as otherwise provided in the Trust Indenture, an Auction to determine the Auction Rate for each Auction Rate Period will be held on the Business Day immediately preceding the first day of each Auction Rate Period for the Auction Rate Securities (each an "Auction Date").

The first Auction Date will be _____, 20__. Thereafter, Auctions will normally be held on every Wednesday if the Auction Rate Securities bear interest on the basis of a 7 Rate Period Days or the fifth Wednesday, as applicable, and each Subsequent Auction Rate Period will normally begin on the following Thursday, unless RACM, with the consent of the Bond Insurer, changes the length of a Subsequent Auction Rate Period by designating it a "Special Auction Rate Period" of not fewer than 28 nor more than 1,820 days and evenly divisible by seven as described under "-Auctions-Special Auction Rate Periods," subject to adjustment as provided in the Trust Indenture, provided that the consent of the Bond Insurer is required for the establishment of any Auction Rate Period that exceeds 35 days. In that event, the Subsequent Auction Rate Period after such Special Auction Rate Period will begin on the first day following the end of the immediately preceding Auction Rate Period and end on the first preceding day that is followed by a Thursday that is a Business Day preceding what would otherwise be such last day.

Market Agent Agreement. The Trustee will enter into a market agent agreement (the "Market Agent Agreement") with Lehman Brothers Inc. ("Lehman Brothers," and, together with any successor as market agent under the Market Agent Agreement, the "Market Agent") which sets forth the duties and responsibilities of the Market Agent. RACM may remove the Market Agent at any time, with the consent of the Bond Insurer, for any breach of its obligations under the Trust Indenture or the Market Agent Agreement.

Broker-Dealer Agreements. Each Auction requires the participation of one or more broker-dealers. The Auction Agent will enter into an agreement with Lehman Brothers and may enter into similar agreements

(collectively, the "Broker-Dealer Agreements") with one or more additional broker-dealers (collectively, the "Broker-Dealers") selected by RACM. RACM may remove a Broker-Dealer at any time, with the consent of the Bond Insurer, for any breach of its obligations under the Trust Indenture or the Broker Dealer Agreement. See "—BROKER-DEALERS."

Interest Rates. The Auction Rate Securities will initially bear interest at ____% through _____ 1, 20__ (computed on the basis of a 360-day year, comprised of 12 months consisting of 30-days each). Thereafter, the interest rate will be established pursuant to the Auction Procedures described in APPENDIX J—"AUCTION AND SETTLEMENT PROCEDURES." During the Initial Auction Rate Period, interest on Auction Rate Securities will accrue for each Auction Interest Period or portion thereof and will be payable [semiannually] [monthly] in arrears, commencing on _____ 1, 20__ (the "Initial Interest Payment Date"). Thereafter, and so long as each Subsequent Auction Rate Period consists of 7, 14, 21, 28 or 35 Rate Period Days (a "Standard Auction Rate Period") or consists of a period of less than 180 Rate Period Days, interest will be payable monthly in arrears; and so long as a Subsequent Auction Rate Period consists of a period of 180 or more Rate Period Days, interest will be payable semiannually in arrears on the next succeeding _____ 1 or _____ 1, as applicable. The term "Auction Interest Period" means, as to the applicable Auction Rate Securities of a Series, each period during which a specific Auction Rate is in effect, as a result of an Auction, which Auction Interest Period may be a 7-, 14-, 21-, 28- or 35-day period, or such other period as may be designated from time to time as an Auction Rate Period by RACM and the Market Agent with the consent of the Bond Insurer pursuant to an Auction Period Adjustment, each Auction Interest Period running from, and including, the date on which a new Interest Rate becomes effective with respect to the Auction Rate Securities, including the initial Rate Adjustment Date and, thereafter, the first Business Day following each Rate Determination Date (which, until an Auction Period Adjustment, generally is each fourth Wednesday or the next Business Day if such Wednesday is not a Business Day (a "Rate Adjustment Date")) and ending on, and including, the day immediately preceding the next succeeding Rate Adjustment Date; provided that the initial Auction Rate Period shall be set forth on the inside front cover page of this Official Statement. The length of an Auction Interest Period may be adjusted pursuant to the Trust Indenture. See APPENDIX E—"DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS -- SUMMARY OF CERTAIN PROVISIONS THE TRUST INDENTURE."

Applicable Auction Rate. The rate per annum at which interest accrues with respect to the Auction Rate Securities for any Auction Interest Period is referred to as the "Applicable Auction Rate." The interest rate for the Auction Rate Securities during the Initial Auction Rate Period will be determined by the Broker-Dealer on or prior to the day preceding the delivery date of the 2003 Securities. Thereafter, the rate of interest for each Subsequent Auction Rate Period shall be equal to the annual rate of interest that results from the implementation of the Auction Procedures described in APPENDIX J—"AUCTION AND SETTLEMENT PROCEDURES," and provided that:

(i) if a Notice of Percentage Change and the Applicable Percentage used to determine the Maximum Auction Rate shall have been given by the Market Agent in accordance with the Trust Indenture and because of a failure to satisfy the condition set forth in therein, such adjustment shall not have taken effect, then an Auction shall not be held on the Auction Date immediately preceding the next succeeding Subsequent Auction Rate Period, the rate of interest for such Subsequent Auction Rate Period shall equal the Maximum Auction Rate on such Auction Date, and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days, *provided*, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which, RACM shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate;

(ii) if a notice of Fixed Rate Conversion of the Auction Rate Securities shall have been given by RACM, with the prior written consent of the Bond Insurer, and in accordance with the Trust Indenture and because of the failure to satisfy one or more of the conditions set forth therein, such conversion shall not have taken effect, the rate of interest for the next succeeding Subsequent Auction Rate Period shall equal the Maximum Auction Rate on the proposed effective Fixed Rate Conversion Date and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days, *provided*, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days,

following which RACM shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate;

(iii) if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next Succeeding Auction Rate Period shall equal the Maximum Auction Rate on such Auction Date, and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days, *provided*, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which RACM shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate; and

(iv) if a notice of a change in the length of a Standard Auction Rate Period shall have been given by RACM, with the prior written consent of the Bond Insurer, and in accordance with the Trust Indenture and because of a failure to satisfy the condition set forth therein, such change in length of the Standard Auction Rate Period shall not have taken effect, the rate of interest for the next succeeding Subsequent Auction Rate Period shall equal the Maximum Auction Rate on the proposed date of such change in length of the Standard Auction Rate Period, and the length of such Subsequent Auction Rate Period will be 7 Rate Period Days, *provided*, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which RACM shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate.

Notwithstanding the foregoing, if: (1) the ownership of the Auction Rate Securities is no longer maintained in book-entry form by DTC, the rate of interest for any Subsequent Auction Rate Period commencing after the delivery of certificated securities representing the Auction Rate Securities shall equal the Maximum Auction Rate on the Business Day immediately preceding the first day of such Subsequent Auction Rate Period, and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days, *provided*, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which, RACM shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate; (2) a Payment Default occurs during any Auction Rate Period (other than an Auction Rate Period consisting of more than 364 Rate Period Days), the rate of interest for each Subsequent Auction Rate Period commencing thereafter to and including the Subsequent Auction Rate Period, if any, during which, or commencing less than two Business Days after all such Payment Defaults are cured, shall equal the Overdue Rate for a Standard Auction Rate Period on the first day of each such Subsequent Auction Rate Period; or (3) a Payment Default occurs during a Special Auction Rate Period consisting of more than 364 Rate Period Days, (i) the rate of interest for the portion of such Special Auction Rate Period during which such Payment Default shall not have been cured shall equal the Overdue Rate for such Special Auction Rate Period on the day of the occurrence of such Payment Default and (ii) if such Payment Default shall have not been cured at least two Business Days prior to the next succeeding Subsequent Auction Rate Period, the rate of interest for such Subsequent Auction Rate Period, the rate of interest for such Subsequent Auction Rate Period and for each Subsequent Auction Rate Period commencing thereafter, to and including the Subsequent Auction Rate Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured, shall equal the Overdue Rate for such Special Auction Rate Period on the first day of each such Subsequent Auction Rate Period.

Conversion of Auction Rate Securities to Fixed Interest Rates. RACM may, with the written consent of the Bond Insurer, convert all but not less than all of the Auction Rate Securities to bonds, which by their terms have been issued in denominations of \$5,000 principal amount or any integral multiple thereof bear interest at regular fixed rates payable semiannually ("Fixed Rate Bonds") and on such date, which shall be an Interest Payment Date (the "Fixed Rate Conversion Date") the Auction Rate Securities will be subject to mandatory tender for purchase at a price equal to 100% of the principal amount of such Auction Rate Securities, plus accrued but unpaid interest with respect thereto to, but not including the Fixed Rate Conversion Date, and subject to the availability of funds sufficient to pay the Tender Price of such Auction Rate Securities having been provided to the Trustee through the remarketing of such Auction Rate Securities to new Owners. Not less than 40 days prior to the Fixed Rate Conversion Date, the Trustee is required to mail written notice of the conversion and mandatory tender to the Owners of the Auction Rate Securities setting forth the information required in the Trust Indenture. Upon satisfaction of certain conditions set forth in the Trust Indenture, the Auction Rate Securities shall be purchased or deemed purchased at the Tender Price. See APPENDIX E—"DEFINITIONS AND SUMMARIES OF

PRINCIPAL DOCUMENTS--SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE--Conversion of Auction Rate Securities to Fixed Interest Rate Bonds" "--Purchase of Auction Rate Securities."

Purchase of Auction Rate Securities

Mandatory Tender for Purchase Upon Conversion to Fixed Interest Rates. Following the period commencing on the date of delivery of the Auction Rate Securities and ending _____ 1, 20__ (the "Initial Auction Rate Period"), the Auction Rate Securities shall be subject to mandatory tender for purchase if at any time the Trustee gives written notice to the Owners of the affected Auction Rate Securities that, at the option of RACM, particular Auction Rate Securities are to be converted to a Fixed Rate subject to the availability of funds sufficient to pay the principal amount thereof, plus accrued interest, if any, to the date of purchase (the "Tender Price") of such Auction Rate Securities having been provided to the Trustee through the remarketing of such Auction Rate Securities.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of any Auction Rate Securities upon conversion to Fixed Interest Rates, the Trustee shall give notice as specified in the Trust Indenture. See APPENDIX E--"DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS--SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE--Conversion of Auction Rate Securities to Fixed Interest Rate Bonds--Purchase of Auction Rate Securities."

Redemption Procedures

Notice of Redemption. Notice of redemption of the Auction Rate Securities, where permitted by the Trust Indenture, shall be given by the Trustee by first-class mail, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of the Auction Rate Securities designated for redemption at their addresses appearing on the registration books of the Trustee. In addition, notice of redemption shall be given by the Trustee by registered mail to the Securities Depositories and one or more Information Services. Each notice of redemption shall state the date of such notice, the redemption price, if any, the name and appropriate address of the Trustee, the CUSIP number and ISIN number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Auction Rate Securities of such maturity, to be redeemed and, in the case of Auction Rate Securities to be redeemed in part only, the respective portions of the principal amount or Maturity Amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Auction Rate Securities the redemption price, if any, thereof and in the case of an Auction Rate Security to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Auction Rate Securities be then surrendered at the address of the Trustee specified in the redemption notice.

Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

All Auction Rate Securities redeemed in whole pursuant to the provisions of the Trust Indenture shall be cancelled by the Trustee and shall not be reissued.

Failure to give notice by mailing to the registered owner of any Auction Rate Security designated for redemption or tender or to any depository or information service shall not affect the validity of the proceedings for the redemption of any other Auction Rate Security if notice of such redemption shall have been mailed so as to give the notices substantially in the manner as herein provided.

Selection of Auction Rate Securities for Redemption. If less than all Outstanding Auction Rate Securities are to be redeemed at any one time, the Trustee shall select the Auction Rate Securities to be redeemed *pro rata* among Owners and shall promptly notify RACM and the Bond Insurer if the Bonds to be redeemed are Insured 2003 Securities, in writing of the certificate numbers of the Auction Rate Securities so selected for redemption.

For purposes of such selection, Auction Rate Securities shall be deemed to be composed of \$25,000 multiples, and any such multiple may be separately redeemed.

Effect of Redemption. If notice of redemption has been duly given as specified in the Trust Indenture and money for the payment of the redemption price of the Auction Rate Securities called for redemption is held by the Trustee, then on the redemption date designated in such notice the Auction Rate Securities so called for redemption shall become due and payable, and from and after the redemption date so designated interest on such Auction Rate Securities shall cease to accrue, and the Owners of such Auction Rate Securities shall have no rights in respect thereof except to receive payment of the redemption price thereof.

TAX MATTERS

The following is a general summary of the federal income tax consequences of the purchase and ownership of the 2003 Securities. This discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change, or possibly differing interpretations. No assurances can be given that future changes in the law will not occur or alter the conclusions reached herein. The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the 2003 Securities in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under federal income tax laws (including insurance companies, tax-exempt organizations, financial institutions, broker-dealers and persons who have hedged the risk of owning the 2003 Securities). The summary is therefore limited to certain issues relating to initial investors who will hold the 2003 Securities as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such 2003 Securities for investment and not as a dealer or for resale. Prospective investors in the 2003 Securities should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

U.S. Holders

The discussion of Federal income tax consequences herein only relates to U.S. Holders of 2003 Securities. As used herein, the term "U.S. Holder" means a Beneficial Owner of 2003 Securities that is for Federal income tax purposes one of the following: (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State within the United States or the District of Columbia; or (iii) an estate the income of which is subject to the primary jurisdiction of a United States court and which has one or more United States persons who have the authority to control substantial decisions of the trust.

Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them from the purchase, ownership and disposition of the 2003 Securities.

Federal Income Tax

The stated interest paid on the 2003 Securities will not be excludable from the gross income, as defined in Section 61 of the Code, of the Beneficial Owners thereof and, in the opinion of Bond Counsel, will be subject to federal income taxation when received or accrued, depending on the tax accounting method applicable to such Beneficial Owners.

State of Wisconsin Income Tax

Section 66.1333, Wisconsin Statutes, provides that bonds issued by RACM for the purposes stated therein together with interest thereon and income therefrom shall be exempt from Wisconsin taxes. No opinion is expressed as to exemption Wisconsin franchise, estate or inheritance taxes.

Original Issue Discount

If a substantial amount of the 2003 Securities are purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one-quarter of one percent times the number of complete years to maturity (including all Capital Appreciation Securities sold hereunder, collectively, the "Discounted Securities"), the Discounted Securities will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on the Discounted Securities at maturity over their Issue Price, and the amount of the original issue discount on the Discounted Securities will be amortized over the life of the Discounted Securities using the "constant yield method" provided in the Treasury Regulations promulgated under the Code. As the original issue discount accrues under the constant yield method, the Beneficial Owners of the Discounted Securities, regardless of their regular method of accounting, will be required to include such accrued amounts in their gross income as interest. This can result in taxable income to the Beneficial Owners of the Discounted Securities that exceeds actual cash distributions to such Beneficial Owners in a tax year. Moreover, accrued original issue discount may result in alternative minimum tax liability to some Beneficial Owners even if such Owners have not received a corresponding cash payment.

The Trustee will annually report to the Service and to the Beneficial Owners information regarding the amount of the original issue discount that accrues on the Discounted Securities each tax year. The portion of the original issue discount included in each Beneficial Owner's gross income while such Beneficial Owner holds the Discounted Securities will increase the adjusted tax basis of the Discounted Securities in the hands of such Beneficial Owner.

Owners of Discounted Securities should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding and disposing of Discounted Securities.

Bond Premium

In general, if a Beneficial Owner acquires the 2003 Securities for a purchase price (excluding accrued interest or otherwise) at a tax basis that reflects a premium over the sum of all amounts payable on the 2003 Securities after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on those 2003 Securities ("2003 Premium Securities"). In general, an owner of 2003 Premium Securities may elect to amortize the bond premium in accordance with Section 171 of the Code.

Owners of 2003 Premium Securities should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding and disposing of 2003 Premium Securities.

Disposition of 2003 Securities and Market Discount

A Beneficial Owner of 2003 Securities will recognize gain or loss on the redemption, sale or exchange of a 2003 Security equal to the difference between the amount realized (exclusive of the amount paid by RACM for accrued interest, if any) and the Beneficial Owner's adjusted tax basis in the 2003 Securities. Generally, the Beneficial Owner's adjusted tax basis in the 2003 Securities will be the Beneficial Owner's initial cost, increased by any original issue discount previously included in the Beneficial Owner's income to the date of disposition, decreased by any bond premium previously amortized and by any payments previously received on the 2003 Securities besides qualified stated interest. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the Beneficial Owner's holding period for the 2003 Securities.

Under current law, a purchaser of a 2003 Security who did not purchase the 2003 Security in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the 2003 Security, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the 2003 Securities by a subsequent purchaser is the sum

excess, if any, of the stated redemption price of 2003 Securities at maturity over the basis of the bond immediately after the acquisition by the taxpayer. In the case of any bond having original issue discount, stated redemption price shall be equal to its revised issue price.. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire a 2003 Security with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that tax year or thereafter, in which case, the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of a 2003 Security could have a material effect on the market value of the 2003 Securities.

Defeasance

Owners of 2003 Securities should be aware that, for Federal income tax purposes, the deposit of monies or securities in escrow in such amount and manner as to cause the 2003 Securities to be deemed to be no longer outstanding under the Note Resolution, in the case of the 2003 City Notes, or the Trust Indenture, in the case of the 2003 RACM Bonds (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owners of taxable income or loss, without any corresponding receipt of monies. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the 2003 Securities subsequent to any such defeasance could also be affected. Owners of the 2003 Securities are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for State and local tax purposes.

Backup Withholding

Under Section 3406 of the Code, a Beneficial Owner of the 2003 Securities who is not a person, as defined in Section 6049(b)(4),(B), (C), (D), (E) or (F) of the Code, may be subject to "backup withholding" on payments of current or accrued interest on the 2003 Securities. This withholding applies if such Beneficial Owner of 2003 Securities: (i) fails to furnish to DTC or the DTC Participant such Beneficial Owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes DTC or the DTC Participant an incorrect TIN; (iii) underreports interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide DTC or such Beneficial Owner's DTC Participant with a certified statement, signed under penalty of perjury, that the TIN provided to DTC or the DTC Participant is correct and that such Beneficial Owner is not subject to backup withholding.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to Beneficial Owners with respect to the 2003 Securities will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and TIN of the Beneficial Owner. A copy of Form 1099 will be sent to each Beneficial Owner of a 2003 Bond for federal income tax purposes.

ERISA CONSIDERATIONS

The discussion herein of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") is general in nature and is not intended to be all-inclusive.

ANY FIDUCIARY OF AN ERISA PLAN, GOVERNMENTAL PLAN OR CHURCH PLAN CONSIDERING AN INVESTMENT IN THE 2003 SECURITIES SHOULD CONSULT WITH ITS OWN LEGAL ADVISORS WITH RESPECT TO THE CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2003 SECURITIES.

General

A fiduciary of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards under ERISA in the context of the particular circumstances of such a plan before authorizing an investment in the 2003 Securities. ERISA generally imposes on plan fiduciaries general fiduciary requirements, including those of investment prudence and diversification and the requirement that a plan's investments be made in accordance with the documents governing the plan. In addition, section 406 of ERISA and section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") prohibit a broad range of transactions ("Prohibited Transactions") involving assets of a plan subject to ERISA or the assets of an individual retirement account or plan subject to section 4975 of the Code or any entity in which such plan invests whose assets are determined to be "plan assets" (hereinafter an "ERISA Plan") and persons who have specified relationships to the ERISA Plan ("parties in interest," within the meaning of section 3(14) of ERISA, and "disqualified person," within the meaning of section 4975(e)(2) of the Code) unless a statutory, regulatory or administrative exemption is available. Some parties in interest or disqualified persons that participate in a Prohibited Transaction may be subject to an excise tax imposed pursuant to section 4975 of the Code or a penalty imposed pursuant to section 502(i) of ERISA, unless a statutory or administrative exemption is available. These Prohibited Transactions generally are set forth in section 406 of ERISA and section 4975 of the Code.

Governmental plans and certain church plans (as defined under sections 3(32) and 3(33) of ERISA, respectively) are not subject to the Prohibited Transaction rules. Such plans may, however, be subject to federal, state or local laws or regulations which may affect their investment in the 2003 Securities. Any fiduciary of such a governmental or church plan considering an investment in the 2003 Securities should determine the need for, and the availability, if necessary, of any exemptive relief under federal, state or local laws or regulations.

Prohibited Transactions

The City, RACM, the Underwriters of the 2003 Securities, or any of their affiliates may be a party in interest or disqualified person with respect to an ERISA Plan investing in the 2003 Securities. Therefore, such investment by an ERISA Plan may give rise to a Prohibited Transaction. Consequently, before investing in the 2003 Securities, any person who is, or who is acquiring the securities for, or on behalf of, an ERISA Plan should determine either that the City, RACM, the Underwriters or any of their affiliates is not a party in interest or disqualified person with respect to the ERISA Plan or that a statutory, regulatory or an administrative exemption from the Prohibited Transaction rules discussed below or otherwise available is applicable to the investment in the 2003 Securities or that the investment in, or acquisition of, the 2003 Securities will not result in a Prohibited Transaction.

The statutory or administrative exemptions from the Prohibited Transaction rules under ERISA and the Code which may be available to an ERISA Plan, which is investing in the 2003 Securities, include, but may not be limited to:

- Prohibited Transaction Class Exemption ("PTCE") 90-1, regarding investments by insurance company pooled separate accounts;
- PTCE 91-38, regarding investments by bank collective investment funds;
- PTCE 84-14, regarding transactions effected by qualified professional asset managers;
- PTCE 96-23, regarding transactions effected by in-house managers; and
- PTCE 95-60, regarding investments by insurance company general accounts

The above are collectively referred to as the "ERISA Investor Exemptions."

The 2003 Securities may not be acquired by any person who is, or who in acquiring the 2003 Securities is using the assets of, an ERISA Plan unless one of the ERISA Investor Exemptions or another applicable exemption is available to the ERISA Plan. The acquisition of the 2003 Securities by any person or entity who is, or who in

acquiring the 2003 Securities is using the assets of, an ERISA Plan shall be deemed to constitute a representation by such person or entity either that the City, RACM, the Underwriter of the 2003 Securities, or any of their affiliates is not a party in interest or disqualified person with respect to the ERISA Plan or that such person or entity is eligible for exemptive relief available pursuant to either the ERISA Investor Exemptions or another applicable exemption with respect to the acquisition and holding of the 2003 Securities.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City covenanted in the Note Resolution to enter into an undertaking (the "City Undertaking") and MPS covenanted in the MPS Resolution to enter into an undertaking (the "MPS Undertaking"), for the benefit of the Owners to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The detail and terms of the City Undertaking and the MPS Undertaking, as well as the information to be contained in the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City and MPS at the time the 2003 Securities are delivered in substantially the form attached hereto as APPENDIX I. Neither the City nor MPS has ever 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 or MPS to comply with the City Undertaking or the MPS Undertaking, respectively, will not constitute an event of default under the Note Resolution or the Trust Indenture (although the Owners will have the right to obtain specific performance of the obligations under the City Undertaking and the MPS 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 2003 Securities in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2003 Securities and their market price.

LEGAL MATTERS

Legal matters incident to the delivery of the 2003 Securities are subject to the approving opinion of Hawkins, Delafield & Wood and Quarles & Brady LLP, Bond Counsel. Certain matters will be passed upon for the City, MPS and RACM by the City Attorney and for the Underwriters by their counsel, Reinhart Boerner Van Deuren s.c. Bond Counsel and Underwriters' counsel will receive compensation that is contingent upon the sale and delivery of the 2003 Securities.

NO LITIGATION

There is no action, suit or proceeding pending or, to the knowledge of the City or RACM, threatened relating to the issuance of the 2003 Securities, the execution and delivery of the Trust Indenture or in any way contesting or affecting the validity of any of the foregoing or any proceedings of the City or RACM taken with respect to the foregoing. For a description of unrelated litigation pending with respect to the City, see APPENDIX A—"_____."

RATINGS

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have given the 2003 Securities a rating of "AAA", "Aaa" and "AAA," respectively, with the understanding that upon issuance of the 2003 Securities, the Bond Insurance Policy will be issued by the Bond Insurer. See "BOND INSURANCE" and APPENDIX G—"FORM OF BOND INSURANCE POLICY." The 2003 City Notes have received underlying ratings of "__", "__" and "__" respectively from S&P, Moody's and Fitch. The 2003 RACM Bonds have received underlying ratings of "__", "__" and "__" respectively from S&P, Moody's and Fitch. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies certain information and materials concerning the 2003 Securities and the City. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating

agencies themselves. There is no assurance that any rating assigned to the 2003 Securities by a rating agency will be maintained for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Neither the City, RACM nor the Underwriters have undertaken any responsibility either to bring to the attention of the owners of the 2003 Securities any proposed change in or withdrawal of such rating or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the 2003 Securities.

FINANCIAL ADVISOR

The City has retained Robert W. Baird & Co., Milwaukee, Wisconsin, as Financial Advisor in connection with the authorization and delivery of the 2003 Securities. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor will receive compensation that is contingent upon the sale, issuance and delivery of the 2003 Securities.

UNDERWRITING

The 2003 Securities are being purchased by the Underwriters, for which Lehman Brothers Inc. and Citigroup Global Markets, Inc. are acting as the co-senior managers. The Underwriters have agreed to purchase the 2003 Securities at an aggregate purchase price, exclusive of accrued interest, of \$_____ which represents the par amount of the 2003 Securities, less an underwriting discount of \$_____. The purchase agreements relating to the 2003 Securities provide that the Underwriters will purchase all of the 2003 Securities if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The 2003 Securities may be offered and sold to certain dealers and others at prices lower than the offering prices stated on the inside cover hereof. The offering prices may be changed from time to time.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the 2003 Securities, the Note Resolution, the Trust Indenture, the Loan Agreement, the MPS Note and the DPI Agreement and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement.

Copies, in reasonable quantity, of the Note Resolution, the Trust Indenture, the Loan Agreement, the MPS Note and the DPI Agreement may be obtained from the Underwriters during the offering period and thereafter upon request to the City Comptroller.

W. Martin Morics, City Comptroller and Secretary
City of Milwaukee, Public Dept Commission
Room 1017, Zeidler Municipal Building
841 North Broadway
Milwaukee, Wisconsin 53202
414-286-2301

The execution and delivery of this Official Statement has been duly authorized by the City, RACM and MPS.

CITY OF MILWAUKEE, WISCONSIN

BY _____

Its Comptroller

REDEVELOPMENT AUTHORITY OF THE CITY OF
MILWAUKEE, WISCONSIN

BY _____
Its Chairperson

MILWAUKEE BOARD OF SCHOOL DIRECTORS

BY _____
Its President

APPENDIX A

CITY OF MILWAUKEE, WISCONSIN

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee, Wisconsin (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. Milwaukee is Wisconsin's largest city with a population of 595,958 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 over 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

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.

Milwaukee 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.

At present, the Common Council represents seventeen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 35,000.

CITY OFFICIALS (initial year in office follows name)

Mayor	John O. Norquist	(1988)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Marvin E. Pratt	(1987)	Willie Wade	(2003)
Joe Davis, Sr.	(2003)	Joseph A. Dudzik	(2002)
Michael S. D'Aмато	(1996)	Angel Sanchez	(2000)
Vacant*		Terry L. Witkowski	(2003)
James A. Bohl, Jr.	(2000)	Suzanne M. Breier	(1992)
Marlene E. Johnson-Odom	(1980)	Thomas G. Nardelli	(1986)
Fredrick G. Gordon	(1992)	Michael J. Murphy	(1989)
Robert G. Donovan	(2000)	Willie L. Hines, Jr.	(1996)
Donald F. Richards	(1988)		

The terms of all the above elected positions expire in April, 2004.

*Vacant as of September 26, 2003

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,550 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 directly borrow using 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 Milwaukee Public School purpose debt to be issued by the City. The remaining governmental units cited each retain the statutory authority to issue general obligation debt.

Two special purpose governments exist with the ability to issue debt and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball District (the "District"), a public entity created by State legislation encompassing five southeastern Wisconsin counties, 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 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 sold to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose government is the Wisconsin Center District which oversees construction/operation of the Midwest Airlines Center, Milwaukee's major convention complex. This complex also includes the existing US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by \$185 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, \$30 million of Bonds were issued to renovate the Milwaukee Auditorium.

In addition to the facilities noted above, Milwaukee 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. Milwaukee also boasts a lakefront Milwaukee Art Museum as well as major symphony, ballet companies, theatre and other 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 new 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 6,750 of the City's 7,150 full-time employees are members of bargaining units represented by nineteen unions. The City is currently negotiating with three bargaining units for contracts to be effective January 1, 2001. These negotiations have not yet been concluded. The City has settled voluntarily with fifteen bargaining units for 2001-2002 and one bargaining unit (Milwaukee Police Association) has been settled by an arbitrator's consent award. The City is in negotiations with fifteen bargaining units for the 2003-2004 labor agreements.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 595,958, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding Milwaukee is 1,500,700 and represents 28% of the population of the State of Wisconsin. Over 60 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 to 64. Forty-nine percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

Effective buying income in the City is approximately \$8.4 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 26.6 percent of City households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year and 23.3 percent earn over \$50,000 per year. The age distribution of the population of the City is 10.7 percent between 18 and 24 years old; 15.2 percent between 25 and 34 years old; 20.5 percent between 35 and 49 years old and 23.3 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population⁽¹⁾</u>	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1997	612,740	\$13,219	\$34,271	\$25,315
1998	610,654	13,436	34,839	26,575
1999	608,150	13,780	35,830	27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	Not Available	Not Available	34,022

(1) The population figures are derived through estimates from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

Sources: Derived from data contained in Sales and Marketing Management magazine as reported for the appropriate year. Other sources include the Bureau of Census; Wisconsin Department of Revenue; Metropolitan Milwaukee Association of Commerce and the City of Milwaukee Division of Economic Development.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 1998 through December 2002.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1998	\$246,033,955	2,408
1999	332,184,632	2,429
2000	281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
1998	\$6,781,406	67	\$38,475,720	522	\$45,257,126	589	97
1999	9,489,837	84	10,951,700	119	20,441,537	203	109
2000	13,501,445	113	21,682,808	239	35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1998	\$68,042,140	79
1999	128,343,915	95
2000	99,967,923	88
2001	106,537,251	99
2002	87,778,047	89

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1998	\$25,046,871	191
1999	30,726,416	145
2000	43,153,279	181
2001	64,534,354	406
2002	24,122,613	159

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1998	\$107,687,818	2,041
1999	152,672,764	2,080
2000	103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336

Note: Miller Park, the City's new major league baseball venue, was completed in March 2001. This \$350 + million project is not incorporated within the above schedules.

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.

BANK DEPOSITS

The following table illustrates a five year history of bank deposits for the largest banks in the City. (In Thousands of Dollars)

	1998	1999	2000	2001	2002
Bank One, National Association ^{(1) (2)}	\$5,297,707	\$4,262,523	\$4,397,409	\$4,398,040	—
M & I Marshall & Ilsley Bank	6,206,362	5,245,384	8,623,224	18,244,031	\$18,523,783
Wells Fargo Bank Wisconsin, N.A.	1,673,894	1,667,542	1,803,846	1,992,708	2,200,491
Mutual Savings Bank	1,416,685	1,355,566	1,343,013	1,479,372	1,477,209
Associated Bank, National Association ⁽³⁾	698,472	1,929,558	1,918,455	5,840,463	5,648,495
Guaranty Bank	779,607	678,162	918,287	1,475,151	1,784,272
Johnson Bank	857,279	1,016,505	1,105,687	1,165,488	1,468,019
St. Francis Bank, FSB	1,255,920	1,547,272	1,480,471	1,431,840	1,400,224
State Financial Bank, N.A. ⁽⁴⁾	—	—	859,769	955,237	991,701
Park Bank	400,758	390,147	455,397	466,454	472,664

- (1) Total deposits for Bank One, Wisconsin. As of December 7, 1996, all 14 of the Bank One charters in Wisconsin merged into one charter. Bank deposits for all Bank One offices in the state are combined and reported as one amount under the name Bank One, Wisconsin. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 1996 and later.
- (2) Title change to Bank One, National Association due to a merger with Bank One, National Association of Chicago, Illinois effective August 2002. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 2002.
- (3) Changed title to Associated Bank, National Association, due to merger with Associated Bank Green Bay, National Association on April 20, 2001.
- (4) State Financial Bank, N.A. formed by merger in 2000.

Source: Wisconsin Department of Financial Institutions and The American Financial Directory (Wisconsin) January -June 2003.

Note: Other banks that have a significant presence in the Milwaukee area include TCF National Bank and U.S. Bank. These banks are not chartered in Wisconsin and information on these banks is not available through the Wisconsin Department of Financial Institutions.

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

The listing of large employers in Milwaukee County 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.

<u>Employer</u>	2002 ⁽¹⁾ <u>Employment</u>	<u>Type of Business or Service</u>
Aurora Health Care	11,365	Health Care
Milwaukee Public Schools	11,329	Education
U.S. Government (Excludes V.A. Medical Center)	8,875	Government
City of Milwaukee	7,150	Government
Covenant Health Care	5,716	Health Care
M&I Marshall & Ilsley	5,579	Holding company banking/finance and data services
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,178	Education
Northwestern Mutual Life	4,039	Insurance
Medical College of Wisconsin	3,760	Medical school/academic/health care
SBC Communications (Ameritech Corporation)	2,766	Communications
Rockwell Automation (formerly Allen-Bradley)	3,740	Manufacturer, electrical/electronic products
WE Energies	3,300	Electric/natural gas utility
Froedert Memorial Lutheran Hospital	3,150	Health Care
US Bank (formerly Firststar Corporation)	2,663	Finance, banking
Columbia-St. Mary's ⁽²⁾	2,603	Health Care
Harley-Davidson Motor Company	2,450	Manufacturer, motorcycles
Johnson Controls, Inc.	2,435	Manufacturer, of electronic control systems, automobile interior modules
Briggs and Stratton	2,300	Manufacturer, small engines, automotive locks and keys
Children's Hospital of Wisconsin	2,116	Health care
Clement Zablocki Veterans Medical Clinic	1,950	Health Care
Fortis	1,865	Health care
Miller Brewing Company	1,797	Manufacturer of beer and aluminum containers

Note: Data reflects full-time equivalent employees (FTEs).

- (1) Rockwell Automation and Froedert Memorial Lutheran Hospital did not submit a response for 2002 FTEs survey. Due to changes in methodology, U.S. Government, Clement Zablocki Medical Center and Wisconsin Energy reported higher numbers of FTEs. Briggs & Stratton Corporation and Milwaukee County experienced significant decreases due to the downsizing of their workforce.
- (2) Columbia-St. Mary's reported higher FTE amounts for 2001. St. Mary's Ozaukee clinic was included in error in 2001.
- (3) Johnson Controls, Inc. closed their Atlanta, Georgia office. Several employees from the Atlanta office relocated to the Milwaukee office.

Source: Milwaukee County Department of Administrative Services, January 2003 survey of employers.

EMPLOYMENT AND INDUSTRY

During 2002, the City's unemployment rate averaged 8.9%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 1998 through 2003.

Year	Milwaukee		State of Wisconsin	United States
	City of Milwaukee	- Waukesha Metropolitan Area		
2003*	10.5%	6.5%	5.6%	6.2%
2002	9.6	6.0	5.5	5.8
2001	7.8	4.7	4.5	4.7
2000	6.7	3.8	3.6	4.0
1999	5.4	3.1	3.0	4.2
1998	5.3	3.3	3.4	4.5

* July, 2003. [Is updated information available?] Rates for City of Milwaukee and Milwaukee - Waukesha Metropolitan Area are not seasonally adjusted. Source: U.S. Bureau of Labor Statistics.

Milwaukee'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 percent of the workforce. Manufacturing firms employ 17 percent of the work force. 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.

CITY OF MILWAUKEE ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP 1998 – 2002

Industry Group	Number of Establishments					Employment				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Agriculture	109	109	108	108	108	746	750	816	700	662
Construction	828	822	826	752	739	8,035	8,134	8,318	7,847	6,984
Manufacturing	1,060	1,041	1,004	986	961	59,536	56,591	55,660	50,893	50,019
Transportation & Communications	588	580	597	574	560	18,645	16,456	16,704	14,944	14,397
Wholesale Trade	1,238	1,173	1,120	1,107	1,089	20,201	20,551	20,129	18,800	18,445
Retail Trade	2,636	2,626	2,637	2,579	2,546	42,856	43,661	43,309	42,337	38,973
Finance, Insurance & Real Estate	1,377	1,290	1,237	1,339	1,305	33,344	35,370	33,314	32,760	30,982
Services	6,533	6,107	5,862	6,084	6,125	127,280	140,006	143,968	140,365	136,141
Totals	<u>14,369</u>	<u>13,748</u>	<u>13,391</u>	<u>13,529</u>	<u>13,433</u>	<u>310,643</u>	<u>321,519</u>	<u>322,218</u>	<u>308,646</u>	<u>296,603</u>

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2002 ASSESSED VALUATIONS ⁽¹⁾

First Security Bank	\$200,731,580
Northwestern Mutual Life Ins. (Insurance)	166,276,440
Teachers Insurance & Annuity/TIAA Realty (Real Estate Investment)	100,879,200
Towne Realty (Real Estate)	81,212,460
M & I Marshall & Ilsley Bank/Metavante Corp	78,633,810
Marcus Corp/Milw City Center/Pfister (Hotels, Motels, Restaurants)	74,042,840
Miller Brewing (Brewing)	69,659,720
Great Lakes REIT/GLR Milw Center (Real Estate Investment)	67,146,900
Metropolitan Associates (Real Estate Investment)	66,607,480
100 E. Wisconsin Ave Joint Venture (Real Estate Investment)	55,949,570

(1) The above assessed values represent an equalization ratio of 98.10% to full value as determined by the Wisconsin Department of Revenue. (2002 Assessments for 2003 Purposes.)

Source: City of Milwaukee, Assessor's Office.

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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 limits direct general obligation borrowing to an amount equivalent to five percent of the equalized valuation of taxable property. Section 119.49 of the Wisconsin Statutes further authorizes bonding in an additional amount equivalent to two percent of the equalized taxable property for school capital purposes (which, other than the 2003 City Notes, must be approved in a referendum). Such debt margins, as of _____, 2003, are calculated upon the 2003 City equalized valuation for 2004 purposes of \$21,730,754,800. The available five percent debt margin for City borrowing is \$_____ or ____% remaining for future debt issuance. After issuance of the 2003 City Notes in the aggregate principal amount of \$_____*, the available two percent debt margin for school capital purposes is \$_____*, or ____%* remaining for future debt issuance. Together, "Total Debt Margin" equals \$_____* or ____%*.

DEBT MARGIN

2003 Equalized Value of Taxable Property in the City	\$21,730,754,800
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Legal Debt Limitation for City Borrowing

5% of Equalized Value	<u>\$1,086,537,740</u>
General Obligation Debt Outstanding	
As of _____, 2003	\$ _____
Less: Provision for 2003 Maturities	\$(_____)
Net General Obligation Debt Outstanding as of _____, 2003	\$ _____
Total Debt Margin for City Borrowing (In Dollars) (As a percentage)	<u>_____</u> _____ %

Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value	\$434,615,096
2003 City Notes	\$ _____*
Total Debt Margin for School Purpose Borrowing (In Dollars) (As a Percentage)	\$ _____ _____ %

* Subject to change.

* Subject to change.

**ANALYSIS OF GENERAL OBLIGATION DEBT
OUTSTANDING AS OF _____, 2003**

SERIAL BONDS

Schools	\$93,053,455
Tax Increment Districts	90,709,964
Streets	84,535,763
Sewers	73,250,386
Public Buildings	51,785,455
Police	45,928,862
Water	39,264,209
Blight Elimination/Urban Renewal	23,013,246
Local Improvement Projects/Special Ass	20,263,625
Parking	17,291,730
Bridges	13,149,732
Playground/Rec Facilities	8,152,994
Library	7,578,842
Fire	6,487,708
Harbor	3,023,058
Economic Development	699,421
Industrial Land Bank	313,475
Milwaukee Exposition and Conv Center	106,817
Resource Recovery	102,021
Lakefront Development	39,237
TOTAL BONDS OUTSTANDING	\$578,750,000

SERIAL NOTES

Finance Real & Personal Property Tax Rec	\$24,190,000
FMIS Replacement	11,637,226
School	9,310,613
Parking	3,764,433
Municipal Expenses	3,615,000
Public Buildings	2,367,363
Grant & Aid Improvements City Share	184,798
TOTAL NOTES OUTSTANDING	\$55,069,433
TOTAL GENERAL OBLIGATION DEBT OUTSTANDING AS OF _____, 2003	\$633,819,433

[Update to incorporate G.O. Bonds and G.O. Notes issued 10/16/03.]

**[UPDATE TO INCORPORATE ACTUAL DEBT SERVICE
ON G.O. NOTES AND G.O. BONDS AND
PROJECTED DEBT SERVICE ON 2003 CITY NOTES]**

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

Year	General Obligation Debt Service Requirements Prior to the issuance of the 2003 City Notes	Plus: Debt Service on the 2003 City Notes			Total			Total Debt Service Requirements after the issuance of the S 2003 City Notes
		Principal	Interest*	Total				
2003								
2004								
2005								
2006								
2007								
2008								
2009								
2010								
2011								
2012								
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
Total								

*Assumes an estimated interest rate of ____% on the 2003 City Notes.

TRENDS OF GENERAL OBLIGATION DEBT

The following table indicates the general obligation debt of the City outstanding on December 31st of the year shown.

<u>Dec. 31</u>	Debt Service Fund Balance ⁽¹⁾			
	General Obligation <u>Debt Outstanding</u> ⁽²⁾	Allocated To Specific <u>Issues</u> ⁽³⁾	<u>Unallocated</u> ⁽⁴⁾	Debt Less <u>Debt Service Balance</u>
1997	\$459,797,806	\$8,336,613	\$13,901,387	\$437,559,806
1998	518,401,459	9,691,634	15,249,366	493,460,459
1999	559,098,751	11,253,948	20,068,052	527,776,751
2000	605,239,921	9,623,007	20,812,993	574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	659,548,890	14,526,317	3,021,809	642,000,763

(1) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Incremental Districts, Parking, Special Assessment, Water and Delinquent Tax borrowings as a portion of total debt service. (For further information regarding debt service due for Tax Increment Districts, see "TAX INCREMENT DISTRICT FINANCING" below.)

(2) Includes amounts borrowed for Tax Incremental District Program, Parking Program, financing of special assessments, delinquent taxes and water purposes. See "TRENDS OF SELF SUSTAINING GENERAL OBLIGATION DEBT" on the following page for additional information.

(3) From Provision for Future Maturities - Principal and Interest.

(4) From Debt Service Fund Revenues.

(5) Beginning with 2002, the portion of the Debt Service Fund needed to pay interest on certain self supporting debt has been excluded from the balance.

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Dec. 31	General Obligation Debt Less Debt Service Balance ⁽²⁾	Self-Sustaining General Obligation Debt ⁽¹⁾					Total Self Sustaining Debt	Net General Obligation Debt Less Self- Sustaining Debt ⁽⁶⁾
		TID Program ⁽³⁾	Parking Program	Special Assessments ⁽⁴⁾	Delinquent Taxes ⁽⁵⁾	Water		
1997	\$445,896,419	\$55,188,023	\$16,973,337	\$27,609,606	\$23,855,000	\$47,343,043	\$170,969,009	\$274,927,410
1998	503,152,093	64,899,209	21,532,010	27,912,744	23,195,000	61,981,967	199,520,930	303,631,163
1999	539,030,699	66,836,574	25,399,711	28,560,056	21,950,000	57,373,821	200,120,162	338,910,537
2000	584,426,928	66,078,454	26,981,616	26,299,555	21,225,000	52,611,050	193,195,675	391,231,253
2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	454,785,677

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements is currently met with current non-Citywide property tax revenues.
- (2) Unallocated portion only. Allocated Debt Service Fund Balance relates to “Self-Sustaining” Debt categories detailed above.
- (3) See “TAX INCREMENT DISTRICT FINANCING” herein for additional information.
- (4) The Public Debt Commission, as one of its statutory mandates, oversees the portion of the Public Debt Amortization Fund used annually to prepay outstanding debt. The Commissioners of the Public Debt have reserved a portion of this Fund sufficient to make principal and interest payments for all outstanding special assessments purpose debt service to maturity.
- (5) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.
- (6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>December 31</u>	<u>Debt Per Capita</u>
1998	\$497.22
1999	557.28
2000	646.05
2001	688.17
2002	763.12

**RATIO OF GENERAL OBLIGATION DEBT
TO EQUALIZED AND ASSESSED VALUES AND TO PER CAPITA
AND PER CAPITA INCOMES FOR THE YEARS 1998 THROUGH 2002**

Year (12/31)	Population ⁽¹⁾	Net Equalized Valuation ⁽²⁾	Assessed Valuation	Net General Obligation Debt ⁽³⁾	Net General Obligation Debt/Equalized Valuation ⁽⁴⁾	Net General Obligation Debt/Assessed Valuation	Net General Obligation Debt Per Capita ⁽⁴⁾	Per Capita Income	Net G.O. Debt Per Capita/ Per Capita Income
1998	610,654	\$16,228,218,000	\$16,072,114,035	\$493,460,459	3.04%	3.07%	\$808.09	\$13,436	6.01%
1999	608,150	16,701,225,300	15,774,873,167	527,776,751	3.16	3.35	867.84	13,870	6.26
2000	605,572	17,344,251,400	17,582,994,597	574,803,921	3.31	3.27	949.19	14,170	6.70
2001	595,508	19,453,830,200	17,699,784,394	601,245,647	3.09	3.40	1,009.63	14,147	7.14
2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	N/A	N/A

(1) The population figures are derived through estimates from the Wisconsin Department of Revenue population used in the distribution of State Shared Revenues.

(2) Per Wisconsin Department of Revenue, Bureau of Property and Utility Tax.

(3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.

(4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 1998 through 2002, the following results would have occurred:

Dec. 31	Debt Percentage Of Equalized Value	Direct Debt Per Capita
1998	2.71%	\$721.84
1999	2.89	793.76
2000	3.06	877.44
2001	2.86	936.33
2002	2.94	1,002.87

COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
 _____, 2003

[UPDATE AS NECESSARY]

Governmental Unit	Debt Outstanding _____, 2003	Approximate Percentage Applicable	Milwaukee's Share of Debt _____, 2003
City of Milwaukee ⁽¹⁾	\$609,819,433	100.00%	\$609,819,433
Area Board of Vocational, Technical and Adult Education, District No. 9	57,475,000	37.40	21,495,650
County of Milwaukee	472,588,542	45.84	216,634,588
Milwaukee Metropolitan Sewerage District ⁽²⁾	644,074,481	46.91	302,135,339
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$1,783,957,456</u></u>		<u><u>\$1,150,085,010</u></u>

(1) Excludes \$94,153,203 of Industrial Revenue Bonds; \$16,029,000 of City of Milwaukee Water Revenue Bonds, Series of 1998, \$29,095,000 Sewerage System Revenue Bonds, Series 2001 and \$33,885,000 Sewerage System Revenue Bonds, Series 2003 S4. Includes \$108,996,850 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

(2) Includes \$316,929,481 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

Two million of general obligation notes may be sold in 2003 for the remission (refund) of property taxes successfully appealed from prior years. Refunding bonds may be sold at any time, subject to market conditions.

The City has approximately \$183 million of authorized, but not issued, general obligation bonds and notes for various capital improvement purposes.

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REVENUE BONDING

The City and City agencies have issued revenue bonds directly and indirectly. Entities which have issued revenue bonds include the Redevelopment Authority and the Housing Authority. Collectively, the bond programs of the Housing and Redevelopment Authorities complement City financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 - On December 22, 1998, the City and the State of Wisconsin entered into a loan agreement with the City borrowing up to \$19,358,172 under the State of Wisconsin Safe Drinking Water Loan Program for water treatment system improvements. This loan, at a rate of 2.64%, is secured by revenues of the Milwaukee Water Works.

As of September 15, 2002, the amount of \$17,559,338 has been loaned to the City by the State of Wisconsin. The remaining outstanding balance as of September 15, 2002 is \$16,008,876. Debt service on this issuance is anticipated through the year 2018. [UPDATE]

Sewerage System Revenue Bonds, Series 2001 – On November 16, 2001, the City sold \$29,095,000 in Sewerage System Revenue Bonds for the purpose of financing the cost of improvements to the City’s sewerage system. All bonds remain outstanding as of _____, 2003. Debt service on this offering is anticipated through the year 2021.

Sewerage System Revenue Bonds, Series 2003 – On June 20, 2003, the City sold \$33,885,000 in Sewerage System Revenue Bonds for the purpose of financing the cost of improvements to the City’s sewerage system. All bonds remain outstanding as of _____, 2003. Debt service on this offering is anticipated through the year 2023.

Industrial Revenue Bonding Program - The City of Milwaukee 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 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 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 September 15, 2002 [UPDATE], the Housing Authority issued revenue bonds of approximately \$149 million of which, approximately \$35 million are still outstanding.

Redevelopment Authority of the City of Milwaukee - The Redevelopment Authority of the City (“RACM”) 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, Wisconsin Statutes (“Act”).

RACM has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Act, and is authorized under the 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, RACM 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 Act. In connection with the financing of a number of such projects, RACM 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 RACM, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power. As of December 31, 2002 [UPDATE], RACM has sold 90 separate issues in the total principal amount of approximately \$620 million. As December 31, 2002 there remained approximately \$301 million outstanding.

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 RACM, 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 RACM and/or the City.

As of _____, 2003, the Authority had outstanding: one bond issue with \$2,245,000 outstanding secured by a lease with the City; two bond issues with \$43,140,000 outstanding that have a Moral Obligation Pledge of the City; and \$68,035,000 in two bond issues, one secured by a lease, and the other secured by a loan agreement, both with MPS. These bonds do not constitute general obligations of the City, or of MPS, and shall not constitute or give rise to a charge against the City's taxing powers. These pledges create only financial obligations of the City, or MPS, which are subject to annual appropriation. The loan agreement with MPS includes a pledge of certain state aid payable to MPS. **[Need expanded discussion of NSI bond financings.]**

Milwaukee Economic Development Corporation - As of December 31, 2002, the Milwaukee Economic Development Corporation funded loans for 822 small businesses and redevelopment projects utilizing \$142.0 million to leverage a total of \$825.8 million in investment. 528 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$15.5 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 \$11.9 million as of December 31, 2002.

TAX INCREMENT DISTRICT FINANCING

Five issues of RACM and the Housing Authority involving over \$60 million in bonds have financed projects located within tax incremental districts ("TID"). The City has also financed public improvements and provided grants to the RACM for redevelopment purposes within such Districts through the issuance of its general obligation bonds. As of December 31, 2002, \$92,727,110 of general obligation bonds for TID purposes are outstanding. Tax increments received by the City historically have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. The applicable tax levy includes the public school tax levy rate for MPS.

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 2002 Assessed Tax Rate for Milwaukee Public Schools was \$9.34 per thousand dollars of assessed value, down from \$15.70 in 1995. 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. Therefore, the 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. 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 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 limit strictures with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2003-2008 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs together with proposed financing. School purpose improvements financed by the City for MPS are included in this CIP.

The six-year City CIP municipal spending plan totals \$1,049 million. In addition, the City plans to provide \$72 million toward capital improvements for the MPS for a six-year total of \$1,121 million. About \$974 million or 87 percent of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.) and schools. The remaining 13 percent is for expansion purposes.

Surface transportation accounts for approximately 26 percent of the CIP, or about \$287 million. Twenty-four percent (\$269 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. Almost \$124 million of capital spending (11% of the CIP) is planned for economic development projects through 2008. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 39 percent (\$429 million) is planned for school, health/safety improvements and general governmental purposes. All \$72 million in planned school capital improvements is dedicated to deferred maintenance, repairs and remodeling projects, including \$12 million for Americans with Disabilities (ADA) accessibility projects.

In addition to school capital spending within the City's Capital Improvements Program, an additional \$98 million is being raised through revenue bonds issued by the City Redevelopment Authority for the construction and expansion of neighborhood schools. An amount of \$33 million has already been issued. These bonds will be repaid with State aid formerly used to pay for transportation. The state also provides a moral obligation pledge to repay the revenue bonds. For additional information, see "_____."

The portion of the \$1,121 million six-year CIP to be financed by the property tax levy totals about \$565 million (50%). This in turn is composed of direct tax levy funding of \$103 million (9%) and tax levy supported debt financing of \$462 million (41%). Cash revenues including Federal and State grants, developer financing and other sources, total \$190 million (17%) of planned CIP spending. An additional \$87 million (8%) is to be financed by City debt to be repaid with tax increment and other revenues, totaling eight percent of total CIP spending. The remaining \$280 million (25%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes.

In addition to \$12 million in new school purpose borrowing authority, the adopted 2003 Capital Improvements Budget totals \$184 million compared to a 2002 Budget of \$162 million. The 2003 total includes \$46 million in new paving projects, \$23 million for sewer or related environment projects and \$8 million in police facility improvements. About 86 percent of the 2003 Capital Budget is dedicated to preservation purposes, mainly the City's sewer, surface transportation systems, and police facilities. The majority of the expansion purpose expenditures are for economic development, streets, and sewers.

ADOPTED BUDGET – COMBINED REVENUES – 2003

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$84,734,381	\$1,000,000	\$54,762,233	\$10,587,803	—	\$151,084,417
Provision for Empl Retirement ⁽¹⁾	40,937,332	—	—	—	—	40,937,332
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	\$130,671,713	\$1,000,000	\$54,762,233	\$10,587,803	\$0	\$197,021,749
Revenues						
Taxes	12,876,500	—	—	—	—	12,876,500
Licenses and Permits	9,053,700	—	—	—	—	9,053,700
Intergovernmental Revenues	284,217,956	83,572,350	—	—	—	367,790,306
Charges for Service	76,878,526	—	—	—	—	76,878,526
Fines and Forfeitures	4,113,000	—	—	—	—	4,113,000
Miscellaneous Revenues	16,692,600	9,000,000	—	—	8,300,000	33,992,600
Cost Recovery	10,000	—	—	—	—	10,000
Fringe benefits ⁽²⁾	16,250,000	—	—	—	—	16,250,000
Parking	—	—	—	—	27,426,797	27,426,797
Water Works	—	—	—	—	84,018,579	84,018,579
Sewer Maintenance Fund	—	—	—	—	28,498,059	28,498,059
Retained Earnings	—	—	—	—	11,100,000	11,100,000
Sinking Fund	—	—	64,041,654	—	—	64,041,654
Special Assessments	—	4,504,379	—	7,955,400	—	12,459,779
Capital Revenue	—	—	—	9,600,000	—	9,600,000
Total Revenues	\$420,092,282	\$97,076,729	\$64,041,654	\$17,555,400	\$159,343,435	\$758,109,500
Tax Stabilization						
Transfer from Reserves	9,300,000	—	—	—	—	9,300,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	78,985,180	19,411,000	98,396,180
Grand Total	\$560,063,995	\$98,076,729	\$118,803,887	\$107,128,383	\$178,754,435	\$1,062,827,429

(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 – 2003

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$8,498,269	—	—	\$811,500	—	\$9,309,769
Assessor's Office	4,603,519	—	—	—	—	4,603,519
City Attorney	6,437,106	—	—	—	—	6,437,106
City Treasurer	3,023,860	—	—	—	—	3,023,860
Common Council - Clerk	7,861,232	—	—	—	—	7,861,232
Municipal Court	3,385,806	—	—	—	—	3,385,806
Comptroller	5,005,043	—	—	—	—	5,005,043
Dept of City Development	4,290,826	—	—	16,850,000	—	21,140,826
Election Commission	1,079,917	—	—	—	—	1,079,917
Employee Relations, Dept of	5,576,493	—	—	—	—	5,576,493
Fire Department	78,433,193	—	—	5,105,000	—	83,538,193
Health Department	13,814,912	—	—	1,129,700	—	14,944,612
Library Board	21,727,872	—	—	990,000	—	22,717,872
Mayor's Office	1,202,032	—	—	—	—	1,202,032
Neighborhood Services	12,702,465	—	—	260,000	—	12,962,465
Police Department	168,810,655	—	—	4,571,793	—	173,382,448
Port of Milwaukee	3,280,923	—	—	400,000	—	3,680,923
Public Debt Commission	593,799	—	—	—	—	593,799
DPW-Administration	4,856,904	—	—	626,000	—	5,482,904
DPW-Infrastructure	23,748,383	—	—	35,533,185	—	59,281,568
DPW-Operations	81,347,580	—	—	29,526,205	—	110,873,785
Water Works	—	—	—	—	90,118,579	90,118,579
Sewer Maintenance Fund	—	—	—	—	46,248,059	46,248,059
Special Purpose Accounts	125,665,617	—	—	—	—	125,665,617
Pension Funds	66,634,994	—	—	—	—	66,634,994
Debt Service - City	—	—	103,167,336	—	—	103,167,336
Debt Service - Schools	—	—	15,636,551	—	—	15,636,551
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	10,000,000	—	—	—	10,000,000
Parking	—	—	—	—	42,387,797	42,387,797
Grant & Aid Fund	—	83,572,350	—	—	—	83,572,350
Special Capital Projects	—	—	—	11,325,000	—	11,325,000
Economic Development	—	4,504,379	—	—	—	4,504,379
Fringe Benefit Offset ⁽¹⁾	(97,517,405)	—	—	—	—	(97,517,405)
Grand Total	\$560,063,995	\$98,076,729	\$118,803,887	\$107,128,383	\$178,754,435	\$1,062,827,429

(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.

**STATEMENT OF GENERAL FUND REVENUES, OTHER FINANCING SOURCES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 1998 THROUGH 2002⁽¹⁾**

	1998 ⁽²⁾	1999 ⁽²⁾	2000 ⁽²⁾	2001 ⁽²⁾	2002 ⁽²⁾
REVENUES					
Property Taxes	\$84,042,000	\$89,250,000	\$98,456,000	\$118,804,000	114,096,000
Other Taxes	10,100,000	10,283,000	12,808,000	12,688,000	2,944,000
Licenses and Permits	8,112,000	8,996,000	10,154,000	10,485,000	10,814,000
Intergovernmental	278,965,000	277,884,000	278,434,000	278,969,000	283,068,000
Charges for Services	27,727,000	37,598,000	45,383,000	54,594,000	57,749,000
Fines and Forfeitures	16,138,000	17,694,000	18,036,000	4,408,000	5,210,000
Miscellaneous Revenues	16,736,000	9,032,000	14,358,000	12,408,000	—
Contributions Received	0	0	0	0	21,107,000
Other	0	0	0	0	8,706,000
TOTAL GENERAL FUND REVENUES	<u>\$441,820,000</u>	<u>\$450,737,000</u>	<u>\$477,629,000</u>	<u>\$492,356,000</u>	<u>\$503,694,000</u>
Tax Stabilization Fund Withdrawals	17,600,000	12,820,000	11,250,000	5,500,000	11,000,000
Other Financing Sources and Equity Transfers (Net)	12,766,000	8,886,000	18,640,000	26,232,000	17,952,000
TOTAL GENERAL FUND REVENUES, TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>\$472,186,000</u>	<u>\$472,443,000</u>	<u>\$507,519,000</u>	<u>\$524,088,000</u>	<u>\$532,646,000</u>
EXPENDITURES⁽⁵⁾					
General Government	\$65,306,000	\$132,231,000	\$157,615,000	\$162,628,000	\$179,023,000
Public Safety	248,605,000	205,717,000	220,879,000	209,521,000	211,163,000
Public Works	102,835,000	91,817,000	100,696,000	87,453,000	88,094,000
Health	17,882,000	11,401,000	11,363,000	11,237,000	10,552,000
Culture and Recreation	20,383,000	16,627,000	17,584,000	16,948,000	18,791,000
Conservation and Development	7,281,000	7,271,000	7,502,000	7,922,000	7,857,000
TOTAL EXPENDITURES⁽⁶⁾	<u>\$462,292,000</u>	<u>\$465,064,000</u>	<u>\$515,639,000</u>	<u>\$495,709,000</u>	<u>\$515,480,000</u>
SOURCES OVER (UNDER) EXPENDITURES	\$9,894,000 ⁽⁶⁾	\$7,379,000 ⁽⁶⁾	(\$8,120,000) ⁽⁶⁾	\$28,379,000 ⁽⁶⁾	\$17,166,000
Fund Balance – January 1 ⁽³⁾	61,882,000	58,956,000	55,085,000	40,465,000	68,844,000
Fund Balance – December 31 ⁽⁴⁾	<u>\$71,776,000</u>	<u>\$66,335,000</u>	<u>\$46,965,000</u>	<u>\$68,844,000</u>	<u>\$86,010,000</u>

(1) For budgetary purposes only, fringe benefit revenues, cost recovery from Internal Service Funds, and purchase of Milwaukee County's delinquent taxes are revenue estimates that offset budgeted expenditures. These offsetting amounts are not revenues or expenditures for purposes of the financial statements and are excluded from the above table.

(2) Figures rounded to the nearest one thousand dollars.

(3) Beginning in 1999, fringe benefits (pensions, healthcare, etc.) are reported in total as General Government Expenditures. In prior years, fringe benefit costs were allocated to individual expenditure categories.

(4) The 2000 Total Expenditures includes payment of \$16 million of retroactive labor settlement costs for 1998 and 1999. Of this amount, \$11.4 million was provided for and reserved within the 1998 and 1999 Fund Balance.

(5) Excludes Tax Stabilization withdrawal for following year.

(6) Fund Balance Components: ('000's)

	1998	1999	2000	2001	2002
Reserved for Encumbrances	\$10,974	\$9,942	\$5,026	\$5,357	\$36,585
Reserved for Carryovers	6,489	7,286	3,860	17,103	
Reserved for Future Labor Settlements	8,307	11,382	--	--	--
Reserved for inventory	6,162	6,454	6,014	5,678	5,801
Reserved for mortgage trust	319	291	281	281	276
Reserved for environmental remediation	281	281	304	303	303
Reserved for tax stabilization-2003	--	--	--	--	9,300
Reserved for tax stabilization-2004 and subsequent years' budgets and advances to other funds	--	--	--	--	33,745
Reserved for next year's budget	12,820	11,250	5,500	11,000	--
Reserved for subsequent years' budget	26,424	19,449	25,980	29,122	--
Total Fund Balance	<u>\$71,776</u>	<u>\$66,335</u>	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>

YEAR 2002 GENERAL FUND RESULTS

Page _____ of Appendix B presents the 2002 audited financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves totaled \$43,045,000 at the end of 2002, or about 8.4 percent of 2002 Fund expenditures. This compares to \$40,122,000 (8.1% of expenditures) at 12/31/01. Total Fund balance at 12/31/02 is \$86.0 million compared to \$68.8 million at 12/21/01.

Overall, General Fund Revenues and Other Sources for 2002 exceeded expenditures by \$28,166,000, or 5.7 percent.

Total Revenues and Other Sources decreased by \$0.8 million (minus 0.2%) in 2002. This is mainly due to a \$4.7 million reduction in property tax revenues, a \$2.2 million decline in interest earnings and a reduction in other financing sources. This was partially offset by increases in charges, fines and forfeitures revenue and a \$5.5 million increase in reserves usage. The sharp decline in Other Taxes is due to an accounting change required by Government Accounting Standards Board (GASB) Statement 34. Formerly treated as revenues from the Water and Parking enterprises, GASB 34 requires that these sources now be recorded as fund transfers. Without these newly recognized transfers, Other Financing Sources and Equity Transfers would have actually declined by \$5.9 million in 2002.

Total General Fund Expenditures declined by \$0.6 million (minus 0.1%) in 2002. A \$4.0 million reduction in General Government expenditures was largely offset by increases in Culture & Recreation (plus \$1.8 million) and Public Safety (plus \$1.6 million) expenditures. A year long targeted hiring freeze and selected reductions in non-salary expenditures contributed to the slight expenditure reduction compared to 2001.

Regarding the components of General Fund Balance, the major change was a \$15.6 million increase in carry-overs and salary related encumbrances. With major labor agreements ending in 2002 and retroactive contracts yet to be negotiated at year-end, additional funds are needed to pay for the 2002 share of the new agreements when negotiated in 2003. Even with these increased reservations of Fund Balance, the year-end 2002 balance remaining for 2004 and subsequent years' budgets increased by \$4.6 million or nearly 16 percent.

Since 1998, General Fund Revenues and Other Sources have grown at an average of about 2.6 percent annually. Intergovernmental Aids remain the major funding source for the General Fund providing just over 54 percent of total sources. This compares to 59 percent in 1998. Property taxes comprised about 22 percent of total sources in 2002 versus 18 percent in 1998. Since 1998, charges, fines and forfeitures have increased in importance, growing from just over 9 percent of total sources to over 12 percent.

General Fund expenditures have grown at an average 1.8 percent annually since 1998. A major change in General Fund expenditure categories in 1999 prevents a meaningful comparison of expenditure categories.

Regarding changes in General Fund Equity, over the past four years, the Tax Stabilization Reserves account had been drawn down from its year-end 1998 level of \$33.5 million to reach a low of \$19.4 million in 1999. However, over each of the past three years, that balance has increased to now exceed the level of four years earlier, reaching \$33.7 million at year-end 2002.

For information regarding City debt levels and related debt factors, see "DEBT STRUCTURE" above.

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

	Year 1998 For 1999 Purposes	Year 1999 For 2000 Purposes	Year 2000 For 2001 Purposes	Year 2001 For 2002 Purposes	Year 2002 For 2003 Purposes
Real Property					
Residential	\$9,093,197,600	\$9,163,659,090	\$10,292,622,989	\$10,358,670,619	\$12,027,394,755
Industrial	625,806,100	633,181,600	741,471,600	717,830,700	765,130,300
Mercantile	5,123,443,125	5,103,186,557	5,612,521,788	5,716,180,475	6,176,332,500
Total Real Property	\$14,842,446,825	\$14,900,027,247	\$16,646,616,377	\$16,792,681,794	\$18,968,857,555
Personal Property	1,229,667,210	873,822,920	936,378,220	907,102,600	897,397,660
Total Assessed Valuations	<u>\$16,072,114,035</u>	<u>\$15,773,850,167</u>	<u>\$17,582,994,597</u>	<u>\$17,699,784,394</u>	<u>\$19,866,255,215</u>
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					
	\$16,228,218,000	\$16,701,225,300	\$17,344,251,400	\$19,453,830,200	\$20,275,936,700
Ratio of Assessed to Equalized Valuation	99.04%	94.45%	101.40%	91.00%	98.00%

Note: As of the date of this Preliminary Official Statement, the assessed valuation by property class was not available for the year 2003 for 2004 purposes. As of September 2003, per the Wisconsin Department of Revenue, the 2003 Equalized Value for the City is \$21,730,754,000.

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

	1999	2000	2001	2002	2003
Unit of Government					
City Government ⁽¹⁾	\$9.71	\$9.69	\$10.49	\$10.87	\$10.15
Milwaukee Public Schools	10.97	10.38	9.87	10.12	9.34
Milwaukee County	5.92	6.03	5.66	6.13	5.40
Milwaukee Area Technical College	2.01	2.16	2.00	2.23	2.05
Milwaukee Metropolitan Sewerage District	1.72	1.80	1.68	1.87	1.74
Gross Tax Rate Per \$1,000	\$30.33	\$30.06	\$29.70	\$31.22	\$28.68
Less: State Tax Credit	2.04	2.00	1.69	1.66	1.43
Net Tax Rate	<u>\$28.29</u>	<u>\$28.06</u>	<u>\$28.01</u>	<u>\$29.56</u>	<u>\$27.25</u>

(1) Includes School Debt Service (\$0.65 in 2002).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
1998-2002**

<u>Year</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Current Tax Collections</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections⁽²⁾</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent Of Current Levy</u>	<u>Cumulative Delinquent Taxes⁽³⁾</u>
1998	\$331,555,564	\$322,736,712	97.340%	\$13,084,230	\$335,820,942	101.286%	19,382,127
1999	339,318,287	328,557,830	96.829	8,573,206	337,131,035	99.355	21,569,378
2000	324,794,061	311,021,871	95.760	11,289,351	322,311,222	99.236	24,052,217
2001	368,371,158	355,574,882	96.526	14,805,255	370,380,137	100.545	22,043,238
2002	382,873,322	369,125,032	96.409	13,926,347	383,051,380	100.047	21,865,180

- (1) Includes special assessments placed on tax roll, as well as County delinquent real and personal property taxes purchased from the County and included in tax levy collections.
- (2) Collection of delinquent taxes for prior years.
- (3) Includes current and prior year delinquent taxes.

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COLLECTION PROCEDURES

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

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 State of Wisconsin Statutes, Chapter 74, 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 State of Wisconsin Statutes Section 75.521, which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at this historically high level. Current collections for 2001 were approximately 96.526 percent of the total tax levied.

INSURANCE

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

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City of Milwaukee 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 approximately 13,000 active and 3,800 vested, inactive members at December 31, 2002. There were approximately 10,200 retirees and beneficiaries receiving benefits as of December 31, 2002.

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 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, 2001, the latest year for which audited figures are available, required member contributions totaled \$28.1 million and required employer contributions totaled \$144,000. Of the \$28.1 million required member contributions, \$2.5 million was funded through a transfer from the Employers Reserve Fund. Approximately 73% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.021 billion with a corresponding market value of \$3.817 billion or 126% of the original cost at December 31, 2001.

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, 1997 to December 31, 2001. The study recommended approximately 20 changes to plan assumptions, which were adopted by the Annuity and Pension Board effective January 1, 2003. The more noteworthy updates include a revised set of mortality tables, a reduction in the inflation rate, and changes in retirement rates for police, fire, and general city employees.

The latest actuarial valuation was completed on January 1, 2002. The valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board (GASB) Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$4.202 billion as of January 1, 2001 and an Actuarial Accrued Liability of \$2.988 billion as of that date. This results in a Funded Ratio of 140.6% after consideration of the Global Pension Settlement.

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

The Policemen's Annuity and Benefit Fund is established pursuant to section 35 of the Milwaukee City Charter.

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to January 1, 1948. Membership at March 1, 2003 totaled no active and approximately 250 retired members.

Funding is derived from employee and employer contributions. Employee contributions total six percent of compensation which is entirely paid by the City. Employer contributions are actuarially determined and based on normal cost and amortization of past service liability. There is an unfunded past service liability for the Policemen's Annuity and Benefit Fund at year-end 2001 in the amount of \$1,955,368 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated June 12, 2002.

For the year ended December 31, 2001, employer contributions totaled \$4,463. Assets of the Policemen's Annuity and Benefit Fund at December 31, 2001, totaled \$8,413,154 at cost. Market value of Policemen's Annuity and Benefit Fund assets was \$8,613,542 or 102.4 percent of cost at December 31, 2001.

It is the opinion of the actuaries of the above Policemen's Annuity and Benefit Fund that based on the present amortization payments, the Policemen's Annuity and Benefit Fund is actuarially sound and that all future benefit payments will be made.

APPENDIX C

MILWAUKEE PUBLIC SCHOOLS

GENERAL

The Milwaukee Board of School Directors ("MPS") was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. The MPS has budget adoption authority (the City must then levy and collect a tax to support the MPS budget) and 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. MPS is effectively treated by State Statutes as a City department authorized by law to fix its own tax levy. All funds for MPS flow through the City Treasurer who, by Statute, disburses them at the direction of the Director/Board Clerk of the MPS. 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 either Chapter 67 or 119, 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. The Act amended Chapter 119 to authorize the City to issue the 2003 City Notes to pay the UAAL. See "PLAN OF FINANCING" in the front portion of this Official Statement. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. As shown below, as of _____, 2003, the City had outstanding general obligation debt for school purposes of \$102,364,068.

**CITY OF MILWAUKEE
OUTSTANDING GENERAL OBLIGATION DEBT
FOR SCHOOL PURPOSES
AS OF _____, 2003**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$3,505,123	\$663,464
2004	10,795,642	4,674,116
2005	10,354,662	4,226,790
2006	9,952,755	3,761,131
2007	9,704,343	3,299,760
2008	9,324,285	2,862,851
2009	8,143,123	2,433,211
2010	7,743,865	2,034,295
2011	7,354,074	1,639,723
2012	6,487,514	1,282,989
2013	5,887,692	940,895
2014	5,067,847	641,073
2015	3,942,831	398,690
2016	2,720,987	192,986
2017	1,022,833	53,150
2018	310,093	10,072
2019	46,399	1,160
	<u>\$102,364,068</u>	<u>\$29,116,356</u>

Wisconsin Statutes establish a limit on the authority of the City to incur general obligation indebtedness in any form for City and school purposes of 7% of the full value of taxable property located within the City, as equalized by the Wisconsin Department of Revenue. Of the 7%, 2% is authorized for school purposes only. The City may issue bonded debt for school purposes pursuant to the provisions of Chapter 119 or Chapter 67. Bonded indebtedness issued by the City under Chapter 119 for school purposes is further limited to 2% of the full value of taxable property in the City as equalized by the State Department of Revenue. Municipal obligations issued by the City under Chapter 67 for school purposes count against the City's debt limit of 5% of the full value of taxable property within the City. Debt issued under Chapter 67 requires adoption of a resolution by the City but does not require voter approval. The history of the full valuation of property for the City for the years 1998 to 2003 and the total unused debt margin as of September 15, 2003 are set forth in the following tables.

**HISTORY OF FULL VALUATION
IN THE CITY OF MILWAUKEE
(1998-2003)**

Levy Year	Collection Year	Full Valuation	Percent Increase/Decrease
1998	1999	\$16,228,218,000	+4.62
1999	2000	16,701,225,300	+2.91
2000	2001	17,344,251,400	+3.85
2001	2002	19,453,830,200	+12.16
2002	2003	20,298,387,000	+4.34
2003	2004	21,730,754,800	+7.06

**TOTAL UNUSED DEBT MARGIN FOR
THE CITY OF MILWAUKEE
AS OF _____, 2003**

2003 Equalized Value of Taxable Property in the City **\$21,730,754,800**

Legal Debt Limitation for City Borrowing

5% of Equalized Value \$ _____
 General Obligation Debt Outstanding
 As of _____, 2003⁽¹⁾ \$ _____
 Less: Provision for 2003 Maturities \$(_____)

Net General Obligation Debt Outstanding as of _____, 2003 \$ _____

Total Debt Margin for City Borrowing (In Dollars) \$ _____
 (As a percentage) _____ %

Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value \$ _____

2003 City Notes \$ _____*

Total Debt Margin for School Purpose Borrowing (In Dollars) \$ _____*
 (As a Percentage) _____ %*

* Subject to change.
 MW\1019723WFF:TJL 10/23/03

- (1) Includes \$102,364,068 of municipal obligations issued by the City for school purposes which applies against the City's debt limit of 5% of the value of equalized taxable property as specified by Section 67.03(1) of the Wisconsin Statutes.

DEVELOPMENT REVENUE BONDS

In February 2002, RACM issued \$33,170,000 Revenue Bonds, Series 2002A (the “Series 2002A Bonds”) on behalf of the MPS – Neighborhood Schools Initiative. RACM loaned the proceeds of the Series 2002A 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. Under the Agreement, MPS will repay the principal of and interest on the bonds. MPS’s repayment obligation under the Agreement is payable solely from and secured by a pledge of all intradistrict aid received by MPS from the State of Wisconsin (the “State”). Additional borrowings are expected to follow in line with the State’s authorization of more than \$98,000,000 for this project.

The schedule of remaining debt service payments on the Series 2002A Bonds is as follows:

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY REVENUE BONDS
ANNUAL DEBT SERVICE PAYMENTS
AS OF SEPTEMBER 15, 2003**

<u>Year</u>	<u>Debt Service Payments</u>	<u>Year</u>	<u>Debt Service Payments</u>	<u>Year</u>	<u>Debt Service Payments</u>
2003	\$1,510,170	2009	\$2,901,450	2016	\$3,404,160
2004	1,510,170	2010	2,929,510	2017	3,492,213
2005	1,510,170	2011	3,002,710	2018	3,578,013
2006	1,510,170	2012	3,083,830	2019	3,664,931
2007	2,300,170	2013	3,161,970	2020	3,760,638
2008	2,592,520	2014	3,240,623	2021	3,854,156
		2015	3,319,948		

On November 8, 1990, \$47,730,866 RACM issued 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 of the 1990 Bonds.

In May 2003, the RACM issued \$34,475,000 Development Revenue Refunding Bonds, Series 2003 (the “Series 2003 Bonds”) on behalf MPS to refund the 1993 Bonds.

The Series 2003 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 Series 2003 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.

The schedule of lease payments is as follows:

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY DEVELOPMENT REVENUE BONDS
ANNUAL LEASE PAYMENTS
AS OF SEPTEMBER 15, 2003**

<u>Year</u>	<u>Lease Payments</u>	<u>Year</u>	<u>Lease Payments</u>
2003	\$2,522,339	2009	\$3,867,368
2004	2,402,023	2010	3,859,038
2005	3,873,248	2011	3,853,819
2006	3,863,473	2012	3,848,400
2007	3,882,523	2013	3,844,688
2008	3,868,773	2014	3,842,950

BORROWING - FUTURE FINANCING

The 2003 adopted City Budget contains \$14,580,000 of borrowing authority for MPS deferred maintenance; expansion of facilities; fiscal reporting systems; and Americans with Disabilities Act related improvements. Of this amount, \$2,580,000 represents prior year authorizations yet to be sold and \$12,000,000 represents new 2003 authorizations. The amount of \$4,000,000 of this authority was marketed in March, 2003.

RACM is currently in the process of planning for the sale of approximately \$60 million of bonds on behalf of MPS for the Neighborhood Schools Initiative. See "DEVELOPMENT REVENUE BONDS" herein.

BOARD OF SCHOOL DIRECTORS

MPS is governed by a nine member Board of Directors. Eight Directors represent and are elected by Districts from within a total population of approximately 596,000. 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:

Jeff Spence, President	(2007)	Charlene Hardin	(2005)
Joseph Dannecker – Vice President	(2007)	Jennifer Morales	(2005)
Lawrence J. O’Neil	(2005)	Peter Blewett	(2005)
Barbara P. Horton	(2007)	Thomas F. Balistreri (At-Large)	(2007)
Kenneth L. Johnson	(2007)		

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	(2004)
Grant F. Langley	Attorney	(2004)
Wayne F. Whittow	Treasurer	(2004)

PUBLIC SERVICES AND FACILITIES

MPS has approximately 99,054 full-time equivalent students and 7,309 teachers. It maintains 116 elementary schools, 21 middle schools, 19 high schools, one K-12 school and 2 MPS alternative schools. 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.

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

ENROLLMENT

<u>School Year</u>	Average School Daily <u>Membership⁽¹⁾</u>	<u>School Year</u>	Average School Daily <u>Membership⁽¹⁾</u>
1991-1992	91,071	1997-1998	102,914
1992-1993	94,694	1998-1999	102,097
1993-1994	96,496	1999-2000	100,682
1994-1995	98,312	2000-2001	99,332
1995-1996	99,278	2001-2002	99,025
1996-1997	101,622	2002-2003	99,054

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

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 the School Operations Fund. The audited financial statements of this and other funds under the control of MPS for the year ended June 30, 2002 are set forth in Appendix A of this Official Statement.

INSURANCE

MPS carries Commercial General Liability Insurance, Auto Liability, Umbrella Excess Liability Insurance, and School Leaders Errors and Omissions 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 \$27,108,210 recorded in the School Operations Fund and \$2,375,064 in the General Long-Term Obligations Account Group represents an estimate of the amount of claims incurred, but not paid or reported as of June 30, 2002. MPS has also recorded a deposit for self insurance and a reserve of fund balance aggregating \$4,354,005 at June 30, 2002 to provide for payment of future claims.

INVESTMENT POLICIES

The City may invest any of its funds, including MPS funds, not immediately needed in accordance with Section 66.04(2) 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 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 Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services, 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 as a subset of the State Investment Fund (the "Fund"). The Local Government Investment Pool 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 Local Government Investment Pool portion of the Fund is additionally secured as to credit risk.

SWIB invests the assets of the Fund, which includes assets of the Local Government Investment Pool. 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 Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of June 30, 2003, the City had approximately 63% (\$230,000,000) of its and MPS's investments deposited in the Local Government Investment Pool.

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

SOURCES OF FUNDING

In addition to borrowing, MPS revenues are derived from three major sources - local property taxes, state school aids and federal school aids. Sources of MPS revenues are detailed in the four year summary presented under the caption "REVENUES OF MILWAUKEE PUBLIC SCHOOLS - School Operations Fund Trends".

LOCAL PROPERTY TAX

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For the fiscal years 2001-2002 and 2002-2003, MPS's share of the levy produced approximately \$158,610,459 and, \$162,696,867 respectively, of the total revenues to the School Operations Fund. MPS's 2003-2004 School Operations Fund revenues are budgeted at \$1,063,642,147 of which City ad valorem property taxes are estimated at \$173,593,163, an increase of approximately 6.69% from 2002-2003.

MILWAUKEE PUBLIC SCHOOLS PROPERTY TAX LEVIES⁽¹⁾ ALL FUNDS (1998-2003)

Levy		
<u>Year</u>	<u>Collection Year</u>	<u>Taxes Levied</u>
1998	1999	\$173,492,952
1999	2000	160,561,007
2000	2001	169,720,932
2001	2002	174,734,593
2002	2003	181,046,151
2003	2004	197,030,606 ⁽²⁾

(1) Exclusive of Tax Incremental District levies.

(2) Estimate.

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, the MPS by two-third vote of members elect may direct the City to levy a tax to provide funds to purchase school sites and construct or remodel school buildings. The school construction fund taxes in any one year may not exceed 0.6 mills on each dollar of assessed valuation of taxable property in the City.

Property Subject to Taxation - The City, at the direction of the MPS, is required to levy and collect ad valorem taxes on or against all taxable property within MPS. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt from taxation. These include, but are not limited to, property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; certain charitable property not used for profit; religious property; manufacturing machinery and equipment; business computers; non-profit cemeteries; household furnishings and personal effects not used to produce income; intangible personal property; and inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale.

Assessment of Property - The City Tax Commissioner's staff of assessors and appraisers annually conducts appraisals in order to determine the full (fair market) value of all non-manufacturing taxable real property and full cash value of all taxable personal property within MPS as of January 1st. Real property is divided into classes for taxation purposes. In cities there are four classes of real estate: (1) Residential; (2) Commercial; (3) Manufacturing; and (4) Agricultural.

The assessed value of a property is intended to represent current full market (cash) value and, with certain exceptions, is determined from manuals and associated data published by the State Department of Revenue. The State Department of Revenue certifies the competency of local assessors and supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes. Annually, the Department analyzes sales data reported to the Register of Deeds for each county to determine the relative level of local assessments to actual market sales. This process is referred to as "equalization". The ratios developed by the Department of Revenue are reported to each assessor.

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of "full value," as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2002, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 98.0 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

For each assessment year the City assessors must complete their assessments for review by the Tax Commissioner on or before the second Monday in May.

Manufacturing property is assessed by the Wisconsin Department of Revenue which annually notifies the City of the assessed value of all such property to be placed on the City tax roll. Manufacturing machinery and equipment are exempt from local property taxes.

Property owners are notified of increases in assessed valuation of their land or improvements, or taxable personal property in accordance with certain statutory deadlines. Property owners are given the opportunity to object to the amount or valuation of their real or personal properties by filing written objections with the board of assessors, which consists of the chief assessor, chief appraiser, supervising assessors and assistant supervising assessors of the Tax Commissioner's office and a City Board of Review or, for State assessments of manufacturing property, by the State Tax Appeals Commission. The City Board of Review consists of nine residents of the City appointed by the Mayor with approval of the City Common Council for staggered five-year terms.

Adjustments for increases or decreases in assessed values resulting from appeals are made. Upon conclusion of such hearings, the tax assessors are required to complete the assessment roll of all taxable property for the City and return it to the City Tax Commissioner no later than the first Monday of November each year. The Tax Commissioner must prepare the tax roll and return it to the City Treasurer for collection no later than the third Monday in December. Assessments may be appealed to the State courts from the Board of Review or State Tax Appeals Commission within a short period of time, provided the taxes are paid timely on the challenged assessment. Refund of any excess taxes paid may be ordered by the court. If rebated or abated taxes reduce equalized values of the City, the Wisconsin Department of Revenue may prorate the rebated amounts among all taxing jurisdictions which levied a tax against the subject property or adjust equalized values.

Mill Levies Affecting MPS Property Owners - In 1996, the Governor and the State legislature approved reducing funding for schools from property taxes. On a statewide basis, Wisconsin approved increasing its proportionate share of school aid from 40% to at least 66.7% beginning in 1996-1997.

In addition to MPS's tax levy, owners of property within MPS are obligated to pay taxes to other taxing entities in which their property is located. There are five other active taxing entities which have authority to levy ad valorem property taxes on property within MPS. These include the City, Milwaukee County, State of Wisconsin, Vocational School District and Milwaukee Metropolitan Sewerage District. As a result, property owners within the School District's boundaries are subject to a variety of different mill levies.

The 2002 levies (collected in 2003) for non-MPS purposes were as follows:

City of Milwaukee	\$197,000,000
Milwaukee County	100,800,000
MATC	39,800,000
Metropolitan Sewerage District	33,700,000
State Forestry Tax	4,100,000

The net tax rate for all taxing jurisdictions in 2002 was \$27.25 per assessed thousand of property valuation.

Property Tax Collections - Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2003 will be collected in 2004. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 equal installments not later than the last day of each month from January to October without interest or penalty. Personal property taxes may be paid in 7 equal installments on the last day of each month from January to July without interest or penalty. First installments which are not timely paid within the prescribed time bear interest at the rate of 1% per month until paid, plus 0.5% of the tax with interest from January 31 and penalty. The City Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to MPS on a monthly basis from January through May and any balance of the annual levy remaining at June 30 is remitted to MPS in early July. If a tax payment is insufficient to pay all charges, City special charges, special assessments and special taxes are paid before MPS receives its share of the levy.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1 of the levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the City Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of such realty. Delinquent personal property taxes are enforceable by an action in debt and the property taxed or other property may be seized on execution to pay the judgment. Tax sales on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance, however, that the value of property sold, in the event of foreclosure and sale would be sufficient to produce the amount required with respect to taxes levied for MPS, taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the property will be bid on and sold and if that should occur, the City Treasurer will remove the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed.

SCHOOL AIDS

The Wisconsin Constitution requires the State Legislature to provide for establishment of district schools "which shall be free and without charge for tuition to all children between the ages of 4 and 20 years". MPS receives revenues from the State in the form of general school aids. State school aids are divided into two general categories referred to as general and categorical aids. General school aids are determined by formula based upon pupil membership and property valuation. Categorical aids are based upon specific instructional or supporting programs.

In 1996, the Governor and the State Legislature approved reducing funding for schools from property taxes. The State approved increasing its proportionate share of school aid from 40% to at least 66.7% beginning in 1996-1997.

In 2003, the Governor and the State Legislature determined that the State could no longer afford to target 66.7% funding for school aid.

STATE AIDS

Equalization Aid

The school district receives the majority of its revenues from State equalization aid. Equalization aid is paid based on a formula designed to compensate for differences in property values between Wisconsin school districts. The effect is to equalize the property tax base supporting each Wisconsin student.

The State guarantees a minimum tax base to support the education of each public school child. The ratio of the district's equalized valuation to the State's guaranteed valuation determines the percentage of shared costs funded by local property tax versus State equalization aid.

$$\text{Equalization Aid} = \text{Shared Costs} \times \frac{\text{Net Guaranteed Valuation}}{\text{Guaranteed Valuation}}$$

where Net Guaranteed Valuation equals Guaranteed Valuation minus Equalized Valuation. Shared Costs equals the net cost of the general fund plus the net cost of the debt service fund.

MPS's annual revenue per pupil has been above the State-wide average during the past three school years (as detailed below), but these revenues have been met with above average federal and State aid payments.

ANNUAL REVENUES PER PUPIL

	Statewide			Milwaukee		
	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-2001</u>
Revenue/Pupil	\$8,290	\$8,590	\$9,011	\$8,637	\$8,979	\$9,264
Federal Share (%)	4.60	4.51	4.95	11.33	11.59	11.94
State Share (%)	54.67	55.39	55.32	67.60	69.29	68.21
Local Share (%)	40.73	40.10	39.73	21.07	19.11	19.85

Integration Aid

MPS also receives integration aid from the State under a plan where compensation is paid for each minority pupil transferring from an attendance area where minority pupils comprise 30% or more of the population to an attendance area which has less than a 30% minority population. Also, aid is paid for each non-minority pupil transferring from a non-minority attendance area to a minority attendance area.

The State provides for intradistrict transfer aid as well as interdistrict transfer aid. Intradistrict aid is calculated by multiplying the number of eligible transfer pupils by .25 and multiplying the product by the district's current equalization aid per pupil.

For interdistrict transfers, the State provides a financial incentive for both the sending and receiving districts. The receiving district is paid an amount equal to its average cost per pupil for each student it receives. The sending district is allowed to continue to count the transferred students for equalization aid purposes at 0.75 full-time equivalent (FTE), thereby removing any disincentive for transferring students. MPS must pay the transportation costs for its students sent to other districts, as well as the students it receives from other districts.

STATE CATEGORICAL AIDS

MPS receives State categorical aids to finance or reimburse specific categories of instructional or supporting programs.

Pupil transportation aids are paid to reimburse MPS for transportation of public and non-public school pupils. Reimbursement for transportation aids is made on the basis of the number of children/mileage transported during the prior year and miles transported during the regular school year, with an additional flat per pupil payment for summer school. MPS is not required to transport children who live two miles or less from the school attended following the shortest commonly traveled route unless the route is considered hazardous.

The State pays tuition for the following types of children attending public schools:

- a) children in children's homes;
- b) children of parents employed at and residing on the grounds of a state or federal military camp, federal veteran's hospital, or state, charitable or penal institution; and
- c) children in foster homes or group homes if the home is located outside the district in which the child's parent or guardian resides and is exempt from property tax.

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2002-2003 were \$2,080,797 or \$13.87 per child.

The State pays special aids to the district to finance approved programs for handicapped children or children with exceptional educational needs, including those with visual or hearing disabilities, speech or language disabilities, learning disabilities and requiring homebound instruction. This aid has been decreasing as a percent of costs for the last two decades.

Other categorical aids include grants for demonstration projects to assist minors in avoiding or overcoming problems resulting from the abuse of alcohol or drugs; State matching payments for school lunch programs required under 42 U.S.C. 1751, et. seq.; elderly food service aid; grants to provide pre-school structured educational experience focusing on the needs of low-income pupils and encouraging early skill development; bilingual/bicultural aids for programs designed to improve comprehension, speaking, reading and writing ability of limited English speaking pupils in the English language; youth initiatives for education and training programs for youths 14 through 21; and Wisconsin morning milk program for children enrolled in kindergarten through grade 5. MPS also receives funding under Sections 119.71, 119.72 and 119.74 of the Wisconsin Statutes for five-year old kindergarten and early childhood education.

These categorical aids are in addition to equalization aid and integration aid.

PARENTAL CHOICE PROGRAM

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal non-discrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under Wisconsin Statute 119.23. Upon proof of a pupil's enrollment in the private school the State Superintendent provides a proportionate share of basic and supplemental State school aids. Prior to fiscal year 2000, payments to Parental Choice Schools were deducted from MPS aid entitlements. Beginning with fiscal year 2000, these payments were made from an appropriated sum sufficient for this purpose.

For the 2002-03 school year, approximately 10,300 low-income children enrolled in the Milwaukee Parental Choice Program.

FEDERAL SCHOOL AIDS

In addition to State school aids, MPS receives federal aids for specific school programs.

The federal government provides basic school lunch aid to school districts. This program is administered by the State Department of Public Instruction. For the 2002-2003 school year, MPS received in excess of \$19,900,000 in basic lunch aid under the federal program administered by the United States Department of Agriculture through the Wisconsin Department of Public Instruction.

MPS has applied for and received federal aid for numerous other programs. In general, these federal aids are known as categorical aids and require MPS to make the expenditure first, with federal reimbursement following. The federal programs administered by the Wisconsin Department of Public Instruction from which MPS received program reimbursement in 2002-2003 include the following: Public Law 89-313 providing funds for handicapped children; Title I - Disadvantaged and Low Income Children; Special Education – Grants to States; Carl Perkins Act; Emergency Immigrant Educational Assistance; Title II; Public Law 99-457. MPS received aid directly from the Federal Government in the case of several federal programs including the Drug Free Schools program and Headstart.

For the year 2002-2003, total federal aids to MPS for food services and other categorical aids is estimated to be approximately \$150,000,000.

SCHOOL OPERATIONS FUND TRENDS

Equalization aid revenues in the 2000-2001 school year rose by approximately \$8 million due to increased shared costs in the previous year. Property tax revenues increased almost \$14 million after having decreased approximately \$13 million the previous year. MPS's revenue limit, equalization aid plus property tax, increased \$22 million or 3.3% over the 1999-2000 school year.

Total expenditures increased \$34 million in 2000-2001 over the previous year. Expenditures for instructional services were 57% of total expenditures, approximately the same as it has been for the last four years. The District remains under a revenue cap limitation first imposed in 1993-1994. Despite this restriction, MPS expects to provide all necessary instructional and operating services without major disruptions. Instructional expenditures remained constant while operating expenditures grew at a 4.1% rate.

Following is a summary of the MPS School Operations Fund Revenues and Expenditures for the fiscal years ended June 30, 1999 through June 30, 2002.

**MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND⁽¹⁾
FOUR YEAR SUMMARY
(ACTUAL - NON-GAAP BASIS)**

	2001-2002 Year End	2000-2001 Year End	1999-2000 Year End	1998-1999 Year End
REVENUES				
Locally Generated:				
Property Taxes	\$158,610,459	\$157,722,667	\$143,837,618	\$157,434,763
Other	61,005,885	15,050,780	5,553,431	4,805,614
Total Locally Generated	<u>219,616,344</u>	<u>172,773,447</u>	<u>149,391,049</u>	<u>162,240,377</u>
State Aid:				
Equalization Aid	541,388,517	530,389,369	522,070,078	486,666,416
Special Classes	41,148,872	40,368,704	38,472,504	38,729,189
Integration Aid	38,830,913	38,440,145	38,233,657	36,234,250
Other	56,419,803	40,420,806	28,103,142	27,873,898
Total State Aid	<u>677,788,105</u>	<u>649,619,024</u>	<u>626,879,381</u>	<u>589,503,753</u>
Federal Aid:				
Education Consolidation Improvement Act	48,563,189	55,068,159	51,740,308	46,232,508
Other	83,313,434	38,897,383	26,517,359	28,652,151
Total Federal Aid	<u>131,876,623</u>	<u>93,965,542</u>	<u>78,257,667</u>	<u>74,884,659</u>
TOTAL REVENUES	<u><u>\$1,029,281,072</u></u>	<u><u>\$916,358,013</u></u>	<u><u>\$854,528,097</u></u>	<u><u>\$826,628,789</u></u>
EXPENDITURES				
Current Operating:				
Instructional Services:				
Undifferentiated curriculum	354,701,321	320,577,457	313,248,173	301,235,587
Regular and other curriculum	111,447,623	110,316,508	113,916,701	127,339,132
Special curriculum	95,436,587	87,656,198	84,132,507	83,539,335
Total Instructional Services	<u>561,585,531</u>	<u>518,550,163</u>	<u>511,297,381</u>	<u>512,114,054</u>
Pupil and staff services	106,999,506	83,316,554	81,582,352	77,337,490
General & school building admin.	79,896,072	74,474,932	72,214,767	68,732,226
Business services	153,658,408	139,496,099	136,015,529	130,668,291
Other	90,598,928	65,392,557	51,286,074	27,898,899
Total Current Operating	<u>431,152,914</u>	<u>362,680,142</u>	<u>341,098,722</u>	<u>304,636,906</u>
Capital Outlay:				
Sites and buildings	-	5,749,168	8,004,630	8,216,733
Furniture and equipment	-	15,572,267	8,008,250	19,337,993
Total Capital Outlay	<u>0</u>	<u>21,321,435</u>	<u>16,012,880</u>	<u>27,554,726</u>
TOTAL EXPENDITURES	<u><u>\$992,738,445</u></u>	<u><u>\$902,551,740</u></u>	<u><u>\$868,408,983</u></u>	<u><u>\$844,305,686</u></u>
SUMMARY				
Total Revenues	\$1,029,281,072	\$916,358,013	\$854,528,097	\$826,628,789
Total Expenditures	<u>\$992,738,445</u>	<u>\$902,551,740</u>	<u>\$868,408,983</u>	<u>\$844,305,686</u>
Generated Surplus (Use of Surplus)	<u><u>\$36,542,627</u></u>	<u><u>\$13,806,273</u></u>	<u><u>(\$13,880,886)</u></u>	<u><u>(\$17,676,897)</u></u>

(1) Source: Comprehensive Annual Financial Reports for the appropriate years.

**MILWAUKEE PUBLIC SCHOOLS SCHOOL
OPERATIONS FUND
BUDGETS AND ACTUAL (NON-GAAP BASIS)**

	<u>2003-2004 Budget ⁽¹⁾</u>	<u>2002-2003 Budget ⁽²⁾</u>	<u>2001-2002 Actual ⁽³⁾</u>
REVENUES			
Locally Generated:			
Property Tax Levy	\$ 173,592,163	\$ 162,696,867	\$ 158,610,459
Other Local Sources	<u>52,535,877</u>	<u>54,427,435</u>	<u>61,005,885</u>
Subtotal	226,128,040	217,124,302	219,616,344
State Aid:			
Equalization Aid	563,605,569	556,168,855	541,388,517
Special Classes	40,000,000	40,400,000	41,148,872
Integration	38,738,661	38,717,682	38,830,913
Other	<u>53,978,781</u>	<u>68,714,757</u>	<u>56,419,803</u>
Subtotal	696,323,011	704,001,294	677,788,105
Federal Aid:			
Elementary & Secondary Education Act, Title I	56,018,356	62,586,514	48,563,189
Other	<u>83,872,740</u>	<u>99,170,509</u>	<u>83,313,434</u>
Subtotal	139,891,096	161,757,023	131,876,623
Applied Surplus	<u>1,300,000</u>	<u>20,084,659</u>	
TOTAL REVENUES	<u>\$ 1,063,642,147</u>	<u>\$ 1,102,967,278</u>	<u>\$ 1,029,281,072</u>
EXPENDITURES			
Instructional Services	808,112,507	794,062,289	546,319,745
Board of School Directors	410,000	414,741	401,652
Support Services	<u>255,119,640</u>	<u>308,490,248</u>	<u>446,017,048</u>
TOTAL EXPENDITURES	<u>\$ 1,063,642,147</u>	<u>\$ 1,102,967,278</u>	<u>992,738,445</u>
SUMMARY			
Total Revenues	1,063,642,147	1,102,967,278	1,029,281,072
Total Expenditures	<u>1,063,642,147</u>	<u>1,102,967,278</u>	<u>992,738,445</u>
Generated Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,542,627</u>

(1) Source: Fiscal Proposed 2004 Budget Report – to be submitted to Department of Public Instruction.

(2) Source: Fiscal Adopted 2003 Budget Report – submitted to Department of Public Instruction.

(3) Source: Comprehensive Annual Financial Report for June 30, 2002, less, extension and capital trust.

APPENDIX J

AUCTION AND SETTLEMENT PROCEDURES

Capitalized terms used in this APPENDIX ___ and not otherwise defined shall have the meanings given to such terms as set forth in APPENDIX ___ – “DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS -- SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE.”

Section 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Auction Agent Agreement to which this Exhibit C is part, or if not defined therein, then as defined in the Trust Indenture.

“*Available Auction Rate Securities*” has the meaning set forth in Section 2(c)(i)(A) hereof.

“*Bid*” has the meaning set forth in Section 2 hereof.

“*Bidder*” has the meaning set forth in Section 2(a)(i)(B) hereof.

“*Buyer’s Broker-Dealer*” has the meaning set forth in Section 3(a) hereof.

“*Hold Order*” has the meaning set forth in Section 2(a)(1) hereof.

“*Order*” has the meaning set forth in Section 2(a)(i)(B) hereof.

“*Sell Order*” has the meaning set forth in Section 2(a)(i) hereof.

“*Seller’s Broker-Dealer*” has the meaning set forth in Section 3(a) hereof.

“*Submission Deadline*” has the meaning set forth in Section 2(a)(i) hereof.

“*Submitted Bid*” has the meaning set forth in Section 2(c)(i) hereof.

“*Submitted Hold Order*” has the meaning set forth in Section 2(c)(i) hereof.

“*Submitted Order*” has the meaning set forth in Section 2(c)(i) hereof.

“*Submitted Sell Order*” has the meaning set forth in Section 2(c)(i) hereof.

“*Sufficient Clearing Bids*” has the meaning set forth in Section 2(c)(i) hereof.

“*Winning Bid Rate*” has the meaning set forth in Section 2(c)(i)(C) hereof.

Section 2. Auction Procedures. So long as the ownership of the Auction Rate Securities is maintained in book-entry form by the Securities Depository, an Existing Owner may sell, transfer or otherwise dispose of Auction Rate Securities only pursuant to a Bid or Sell Order placed in an Auction or through the Authorized Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions of the Auction Rate Securities, such Existing Owner, its Authorized Broker-Dealer or its Participant advises the Auction Agent of such transfer. Subject to the provisions of Section 2.15 of the Trust Indenture, Auctions of the Auction Rate Securities shall be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the following manner:

(a) (i) Prior to 1:00 p.m., New York City time on each Auction Date relating to Auction Rate Securities or such other time on any Auction Date by which Broker-Dealers are required to submit orders to the Auction Agent, as specified by the Auction Agent from time to time (the “Submission Deadline”);

(A) each Beneficial Owner of Auction Rate Securities may submit to the Broker-Dealer by telephone or facsimile transmission any information as to:

(I) the principal amount of Outstanding Auction Rate Securities, if any, held by such Beneficial Owner which such Beneficial Owner desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Rate Period;

(II) the principal amount of Outstanding Auction Rate Securities, if any, which such Existing Owner offers to sell, if the Auction Rate for the next succeeding Auction Rate Period shall be less than the rate per annum specified by such Beneficial Owner; and/or

(III) the principal amount of Outstanding Auction Rate Securities, if any, held by such Beneficial Owner which such Beneficial Owner offers to sell, without regard to the Auction Rate for the next succeeding Auction Rate Period; and

(B) the Authorized Broker-Dealers may contact Potential Beneficial Owners to determine the principal amount of Auction Rate Securities which each Potential Beneficial Owner offers to purchase, if the Auction Rate for the next succeeding Auction Rate Period shall not be less than the rate per annum specified by such Potential Beneficial Owner.

The communication to a Broker-Dealer by a Beneficial Owner or a Potential Beneficial Owner referred to in (A) or (B) of this paragraph (i) is hereinafter referred to as an "Order," and each Beneficial Owner and each Potential Beneficial Owner placing an Order is hereinafter referred to as a "Bidder;" an Order containing the information described in clause (A)(I) is hereinafter referred to as a "Hold Order;" an Order containing the information described in clause (A)(II) or (B) is hereinafter referred to as a "Bid;" and an Order containing the information described in clause (A)(III) is hereinafter referred to as a "Sell Order." The submission by a Broker-Dealer of an Order to the Auction Agent shall likewise be referred to herein as an "Order," and an Existing Owner or Potential Owner who places an Order with the Auction Agent or on whose behalf an Order is Placed with the Auction Agent shall likewise be referred to herein as a "Bidder."

(ii) (A) Subject to the provisions of Section 2(b) hereof, a Bid by an Beneficial Owner or an Existing Owner shall constitute an irrevocable offer to sell:

(I) the principal amount of Outstanding Auction Rate Securities specified in such Bid if the Auction Rate determined as provided herein shall be less than the rate specified in such Bid; or

(II) such principal amount or a lesser principal amount of Outstanding Auction Rate Securities to be determined as set forth in Section 2(d)(i)(D), if the Auction Rate determined as provided herein shall be equal to the rate specified in such Bid; or

(III) such principal amount of Outstanding Auction Rate Securities if the rate specified in such Bid shall be higher than the Maximum Auction Rate or such principal amount or a lesser principal amount of Outstanding Auction Rate Securities to be determined as set forth in Section 2(d)(ii)(C) if the Auction Rate as specified therein shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(B) Subject to the provisions of Section 2(b) hereof, a Sell Order by a Beneficial Owner shall constitute an irrevocable offer to sell:

(I) the principal amount of Outstanding Auction Rate Securities specified in such Sell Order if Sufficient Clearing Bids exist; or

(II) such principal amount or a lesser principal amount of Outstanding Auction Rate Securities set forth in Section 2(a)(ii)(C), if Sufficient Clearing Bids do not exist.

(C) Subject to the provisions of Section 2(b) hereof, a Bid by a Potential Beneficial Owner or Potential Owner shall constitute an irrevocable offer to purchase:

(I) the principal amount of Outstanding Auction Rate Securities specified in such Bid if the Auction Rate determined as provided herein shall be higher than the rate specified in such Bid; or

(II) such principal amount or a lesser principal amount of outstanding Auction Rate Securities set forth in Section 2(d)(i)(E), if the Auction Rate determined as provided herein shall be equal to the rate specified in such Bid.

(b) (i) Each Authorized Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date relating to the Auction Rate Securities, all Orders obtained by such Broker-Dealer designated itself (unless otherwise permitted by the County) as an Existing Owner in respect of the principal amount of Auction Rate Securities subject to Orders submitted or deemed submitted to it by Beneficial Owners or by Potential Beneficial Owners, and shall specify with respect to each such Order:

(A) the name of the Bidder placing such Order (which shall be the Authorized Broker-Dealer);

(B) the aggregate principal amount of Auction Rate Securities that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Owner:

(I) the principal amount of Auction Rate Securities, if any, subject to any Hold Order placed by such Existing Owner;

(II) the principal amount of Auction Rate Securities, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(III) the principal amount of Auction Rate Securities, if any, subject to any Sell Order placed by such Existing Owner; and

(D) to the extent such Bidder is a Potential Owner, the rate specified in such Potential Owner's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next higher one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding Auction Rate Securities held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Outstanding Auction Rate Securities held by such Existing Owner and not subject to an Order submitted to the Auction Agent.

(iv) None of RACM, the Trustee nor the Auction Agent shall be responsible for any failure of an Authorized Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner, Beneficial Owner or Potential Owner or Potential Beneficial Owner, nor shall any such party be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

(v) If any Existing Owner submits to the Auction Agent, through an Authorized Broker-Dealer, one or more Orders covering in the aggregate more than the principal amount of Outstanding Auction Rate Securities held by such Existing Owner, such Orders shall be considered valid as follows and in the following order of priority:

(A) All Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of outstanding Auction Rate Securities held by such Existing Owner, and if the aggregate principal amount of Outstanding Auction Rate Securities subject to such Hold Orders exceeds the aggregate principal amount of Auction Rate Securities held by such Existing Owner, the aggregate principal amount of Auction Rate Securities subject to each such Hold Order shall be reduced *pro rata* to cover the aggregate principal amount of outstanding Auction Rate Securities held by such Existing Owner.

(B) (I) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Auction Rate Securities subject to any Hold Order referred to in Section (v)(A) above;

(II) subject to subsection (v)(B)(I) above, if more than one Bid with the same rate is submitted on behalf of such Existing Owner and the aggregate principal amount of Outstanding Auction Rate Securities subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of Auction Rate Securities subject to each Bid with the same rate shall be reduced *pro rata* to cover the principal amount of Auction Rate Securities equal to such excess;

(III) subject to subsections (v)(B)(I) and (v)(B)(II) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(IV) in any such event, the aggregate principal amount of Outstanding Auction Rate Securities, if any, subject to Bids not valid under this subsection (B) shall be treated as the subject of a Bid by a Potential Owner at the rate therein specified; and

(C) All Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Auction Rate Securities subject to Hold Orders referred to in Section 2(a)(v)(A) and valid Bids referred to in Section 2(b)(v)(B).

(vi) If more than one Bid for Auction Rate Securities is submitted by or on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Owner covering an aggregate principal amount of Auction Rate Securities not equal to \$25,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Owner covering an aggregate principal amount of Auction Rate Securities not equal to \$25,000 or an integral multiple thereof shall be rejected.

(viii) Any Bid specifying a rate higher than the Maximum Auction Rate will be treated as a Sell Order if submitted by an Existing Owner and will not be accepted if submitted by a Potential Owner. Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the All-Hold Rate shall be treated as a Bid specifying the All-Hold Rate, and each such Bid shall be considered as valid and shall be selected in the ascending order of their respective rates contained in the Submitted Bids. Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum Rate, if any, shall be treated as a Bid specifying the Minimum Rate, if any.

(c) (i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Authorized Broker-Dealer (each such Order as submitted or deemed submitted by the Authorized Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding Auction Rate Securities over the sum of the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Rate Securities"), and

(B) from the Submitted Orders whether:

(I) the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Bids by Potential Owners specifying one or more rates equal to or lower than the Maximum Auction Rate;

exceeds or is equal to the sum of:

(II) the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Bids by Existing Owners specifying one or more rates higher than the Maximum Auction Rate, and

(III) the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Sell Orders

(in the event such excess or such equality exists (other than because the sum of the principal amounts of Auction Rate Securities in subsections (B)(II) and (B)(III) above is zero because all of the Outstanding Auction Rate Securities are subject to Submitted Hold Orders), such Submitted Bid described in subsection (B)(I) above shall be referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the "Winning Bid Rate") such that if:

(I) (aa) each such Submitted Bid from Existing Owners specifying such lowest rate and (bb) all other Submitted Bids from Existing Owners specifying lower rates were rejected, thus entitling such Existing Owners

to continue to hold the principal amount of Auction Rate Securities subject to such Submitted Bids, and

(II) (aa) each such Submitted Bid from Potential Owners specifying such lowest rate and (bb) all other Submitted Bids from Potential Owners specifying lower rates were accepted, would result in such Existing Owners described in Section 2(c)(i)(B)(I) above continuing to hold an aggregate principal amount of Outstanding Auction Rate Securities which, when added to the aggregate principal amount of Outstanding Auction Rate Securities to be purchased by such Potential Owners described in Section 2(c)(i)(B)(II) above, would equal not less than the Available Auction Rate Securities.

(ii) Promptly after the Auction Agent has made the determinations pursuant to Section 2(c)(i) hereof, the Auction Agent, by telecopy confirmed in writing, shall advise RACM and the Trustee of the Maximum Auction Rate, the Minimum Rate and the All-Hold Rate, if any, and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Rate Period as follows:

(A) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Auction Rate Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding Auction Rate Securities are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Rate Period shall be equal to the Maximum Auction Rate, which succeeding Auction Rate Period shall be 7 Rate Period Days; or

(C) if all Outstanding Auction Rate Securities are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Rate Period shall be equal to the All-Hold Rate on such Auction Date.

(d) Existing Owners shall continue to hold the principal amount of Auction Rate Securities that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to Section 2(c)(i) hereof, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) if Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of Sections 2(d)(iv) and 2(d)(v), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Any Existing Owner's Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to sell the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(B) Any Existing Owner's Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Owner to continue to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(C) Any Potential Owner's Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(D) Any Existing Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Owner to continue to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bid, unless the aggregate principal amount of Outstanding Auction Rate Securities subject to all such Submitted Bids shall be greater than the principal amount of Auction Rate Securities (the "remaining principal amount") equal to the excess of the Available Auction Rate Securities over the aggregate principal amount of Auction Rate Securities subject to Submitted Bids described in subsections (B) and (C) of this Section 2(d)(i), in which event such Submitted Bid of such Existing Owner shall be rejected in part, and such Existing Owner shall be entitled to continue to hold the principal amount of Auction Rate Securities subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of Auction Rate Securities obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of Outstanding Auction Rate Securities held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding Auction Rate Securities subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate; and

(E) Each Potential Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Auction Rate Securities obtained by multiplying the excess of the aggregate principal amount of Available Auction Rate Securities over the aggregate principal amount of Auction Rate Securities subject to Submitted Bids described in subsections (B), (C) and (D) of this Section 2(d)(i) by a fraction, the numerator of which shall be the aggregate principal amount of Outstanding Auction Rate Securities subject to such Submitted Bids and the denominator of which shall be the sum of the principal amount of Outstanding Auction Rate Securities subject to Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the outstanding Auction Rate Securities are subject to Submitted Hold Orders), subject to the provisions of Section 2(d)(iv), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Any Existing Owner's Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus entitling such Existing Owners to continue to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(B) Any Potential Owner's Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted and any rate that is higher than the Maximum Auction Rate shall be rejected, thus requiring such Potential Owners to purchase the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids; and

(C) Any Existing Owner's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Owner shall be accepted, thus entitling each Existing Owner that submitted any such Submitted Bid or Submitted Sell Order to sell the Auction Rate Securities subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Auction Rate Securities obtained by multiplying the aggregate principal amount of Auction Rate Securities subject to Submitted Bids described in subsection (B) of this Section 2(d)(ii) by a fraction, the numerator of which shall be the aggregate principal amount of Outstanding Auction Rate Securities held by

such Existing Owner subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Auction Rate Securities subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding Auction Rate Securities are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in Section 2(d)(i) or 2(d)(ii), any Existing Owner would be entitled or required to sell, or any Potential Owner would be entitled or required to purchase, a principal amount of Auction Rate Securities that is not equal to \$25,000 or any integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of Auction Rate Securities to be purchased or sold by any Existing Owner or Potential Owner so that the principal amount of Auction Rate Securities purchased or sold by each Existing Owner or Potential Owner shall be equal to \$25,000 or any integral multiple thereof.

(v) If, as a result of the procedures described in Section 2(d)(ii), any Potential Owner would be entitled or required to purchase less than \$25,000 principal amount or any integral multiple thereof of Auction Rate Securities, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate Auction Rate Securities for purchase among Potential Owners so that only Auction Rate Securities in \$25,000 principal amounts or any integral multiple thereof are purchased by any Potential Owner, even if such allocation results in one or more of such Potential Owners not purchasing any Auction Rate Securities.

(e) Based on the result of each Auction, and in accordance with the Settlement Procedures set forth in Section 3, the Auction Agent shall determine the aggregate principal amount of Auction Rate Securities to be purchased and the aggregate principal amount of Auction Rate Securities to be sold by Potential Owners and Existing Owners and, with respect to each Potential Owner and Existing Owner, to the extent that such aggregate principal amount of Auction Rate Securities to be sold differs from such aggregate principal amount of Auction Rate Securities to be purchased, determine to which other Potential Owner(s) or Existing Owner(s) they shall deliver, or from which other Potential Owner(s) or Existing Owner(s) they shall receive, as the case may be, Auction Rate Securities.

Section 3. Settlement Procedures.

(a) Not later than 3:00 p.m., New York City time, on each Auction Date, the Auction Agent shall notify by telephone each Authorized Broker-Dealer that participated in the Auction relating to the Auction Rate Securities held on such Auction Date and submitted an Order on behalf of an Existing Owner or Potential Owner of:

(i) the Auction Rate fixed for the next Auction Rate Period;

(ii) whether there were Sufficient Clearing Bids in such Auction;

(iii) if the Authorized Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Auction Rate Securities, if any, to be sold by such Existing Owner;

(iv) if the Authorized Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Auction Rate Securities, if any, to be purchased by such Potential Owner;

(v) if the aggregate amount of Auction Rate Securities to be sold by all Existing Owners on whose behalf such Seller's Broker-Dealer submitted a Bid or a Sell Order exceeds the aggregate principal amount of Auction Rate Securities to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Buyer's Broker-Dealer (and the name of the Participant, if any, of each such Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of Auction Rate Securities and the principal amount of Auction Rate Securities to be purchased from one or more Existing Owners on whose behalf such Seller's Broker-Dealer acted by one or more Potential Owners on whose behalf each of such Buyer's Broker-Dealer acted;

(vi) if the principal amount of Auction Rate Securities to be purchased by all Potential Owners on whose behalf such Buyer's Broker-Dealer submitted a Bid exceeds the amount of Auction Rate Securities to be sold by all Existing Owners on whose behalf such Seller's Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealer (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of Auction Rate Securities and the principal amount of Auction Rate Securities to be sold to one or more Potential Owners on whose behalf such Buyer's Broker-Dealer acted by one or more Existing Owners on whose behalf each of such Seller's Broker-Dealer acted; and

(vii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, the Authorized Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Authorized Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) in the case of an Authorized Broker-Dealer that is a Buyer's Broker-Dealer, advise each Potential Owner on whose behalf such Authorized Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Participant to pay to such Authorized Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of Auction Rate Securities to be purchased pursuant to such Bid against receipt of such Auction Rate Securities;

(iii) in the case of an Authorized Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Participant to deliver to such Authorized Broker-Dealer (or its Participant) through the Securities Depository the principal amount of Auction Rate Securities to be sold pursuant to such Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Seller's Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Buyer's Broker-Dealer submitted a Bid of the Auction Rate for the next Auction Rate Period;

(v) advise each Existing Owner on whose behalf such Seller's Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Owner on whose behalf such Buyer's Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it pursuant to Section 3(a), an Authorized Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate

any funds received by it in connection with such Auction pursuant to Section 3(b)(ii), and any Auction Rate Securities received by it in connection with such Auction pursuant to Section 3(b)(iii) among the Potential Owners, if any, on whose behalf such Authorized Broker-Dealer submitted Bids, the Existing Owners, if any on whose behalf such Authorized Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Authorized Broker-Dealer identified to it by the Auction Agent following such Auction pursuant to Section 3(a)(v) or 3(a)(vi).

(d) On each Auction Date:

(i) each Potential Owner and Existing Owner with an Order in the Auction on such Auction Date shall instruct its Participant as provided in Section 3(b)(ii) or 3(b)(iii), as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to the Participant of the Existing Owner delivering Auction Rate Securities to such Seller's Broker-Dealer following such Auction pursuant to Section 3(b)(iii) the amount necessary to purchase such Auction Rate Securities against receipt of such Auction Rate Securities, and (B) deliver such Auction Rate Securities through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to Section 3(a)(v) against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to Section 3(a)(vi) the amount necessary to purchase the Auction Rate Securities to be purchased pursuant to Section 3(b)(ii) against receipt of such Auction Rate Securities, and (B) deliver such Auction Rate Securities through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the Business Day following each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in Section 3(d)(i) shall instruct the Securities Depository to execute the transactions described under Section 3(b)(ii) or 3(b)(iii) for such Auction, and the Securities Depository shall execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in Section 3(d)(ii) for such Auction, and the Securities Depository shall execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in Section 3(d)(iii) for such Auction, and the Securities Depository shall execute such transactions.

(f) If an Existing Owner selling Auction Rate Securities in an Auction fails to deliver such Auction Rate Securities (by authorized book-entry), an Authorized Broker-Dealer may deliver to the Potential Owner on behalf of which it submitted a Bid that was accepted a principal amount of Auction Rate Securities that is less than the principal amount of Auction Rate Securities that otherwise was to be purchased by such Potential Owner. In such event, the principal amount of Auction Rate Securities to be so delivered shall be determined solely by such Authorized Broker-Dealer. Delivery of such lesser principal amount of Auction Rate Securities shall constitute good delivery. Notwithstanding the foregoing terms of this subsection, any delivery or nondelivery of Auction Rate Securities which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until

the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreement