

LOAN AGREEMENT

DATED AS OF _____ 1, 2003

BY AND AMONG

THE

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE, WISCONSIN

THE

MILWAUKEE BOARD OF SCHOOL DIRECTORS

AND

THE

CITY OF MILWAUKEE, WISCONSIN

AS AGENT OF THE MILWAUKEE BOARD OF SCHOOL DIRECTORS

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of _____ 1, 2003, by and among the Redevelopment Authority of the City of Milwaukee, Wisconsin (herein sometimes called the "Authority"), the Milwaukee Board of School Directors (herein sometimes called "the Borrower") and the City of Milwaukee, Wisconsin (herein sometimes called the "City") as agent;

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under Section 66.1333, Wisconsin Statutes, as amended, including amendments set forth in 2003 Wisconsin Act 43, enacted August 11, 2003 (the "Act"), to issue revenue bonds to finance the payment of unfunded prior service liability contributions under the Wisconsin Retirement System for the Borrower (the "Pension Funding Plan") and to loan the proceeds of said Bonds to the Borrower;

WHEREAS, the Borrower has requested the Authority to issue its bonds for the Pension Funding Plan and to make a loan to the Borrower in the amount of \$_____;

WHEREAS, under Wisconsin law, the Borrower is effectively treated as a department of the City, and Section 119.16(8) of the Wisconsin Statutes authorizes the Borrower to adopt its own budget and requires the Borrower to transmit its budget to the City;

WHEREAS, the City Comptroller, City Treasurer, and City Attorney perform their functions for the Borrower as well as for the City, and under Section 119.50 of the Wisconsin Statutes, the City Treasurer disburses the Borrower's funds at the Borrower's direction as the custodian of such funds;

WHEREAS, pursuant to the relationship between the Borrower and the City provided under Wisconsin law as described in the previous two paragraphs, the City is a party to this Agreement solely in its role as the custodian of the Borrower's funds and will act hereunder as agent of the Borrower and at the direction of the Borrower in fulfillment of that role;

WHEREAS, the Authority proposes to issue and sell a series of revenue bonds for the purpose of financing a portion of the cost of the Pension Funding Plan including the costs of issuing such bonds;

WHEREAS, pursuant to such authorization set forth in the Act, the Authority has agreed to issue and sell an issue of taxable revenue bonds in the aggregate principal amount of \$_____, such revenue bonds to be designated as the "Redevelopment Authority of the City of Milwaukee Taxable Pension Funding Bonds, 2003 Series (Milwaukee Public Schools)" (the "Bonds");

WHEREAS, in connection with the issuance of the Bonds, the Authority has agreed to enter into a Trust Indenture, dated as of the date hereof (the "Indenture"), by and between the Authority and Deutsche Bank, as trustee (the "Trustee") providing for the issuance of the Bonds;

WHEREAS, in connection with the issuance of the Bonds, the Authority has agreed to enter into this Agreement, under which the Authority will agree, upon the terms and conditions set forth herein, to make a loan to the Borrower in the principal amount of the Bonds to pay a portion of the cost of the Pension Funding Plan and the costs of issuance of the Bonds and under which the Borrower will be obligated to repay to the Authority its loan, together with interest thereon, and premium, if any, in the amounts and at the times required to pay the principal of and interest on the Bonds as and when due but solely from the Revenues;

WHEREAS, it is anticipated that the Borrower will receive state school aid from the State of Wisconsin in each of the years that the Bonds are outstanding;

WHEREAS, funds of the Borrower, including state school aid to the extent not remitted by DPI to the Trustee pursuant to the DPI Agreement, are held by the City as the custodian of such funds and disbursed by the City as the agent of and at the direction of the Borrower;

WHEREAS, as a portion of the Bonds and the related portion of the unpaid principal balance of the MPS Note will bear interest at a variable rate, the City on behalf of the Borrower proposes to enter into a Swap Agreement whereby the Borrower's obligation to pay interest on that portion of the MPS Note at a variable rate will be exchanged with a swap provider so that the City on behalf of the Borrower will pay solely from Revenues a fixed rate of interest to such swap provider on such amount and such swap provider will pay a variable rate of interest to the City on behalf of the Borrower on the same amount;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

Except as set forth in this Article I, all capitalized terms and words used in this Agreement and not otherwise defined herein shall have the meanings set forth in the Indenture. The terms defined in this Article I shall for all purposes of this Agreement have the meanings herein specified unless the context clearly otherwise requires. Except where the context otherwise requires, words importing the singular number shall include the plural number and *vice versa*.

“Act” means the Blight Elimination and Slum Clearance Act constituting Section 66.1333 Wisconsin Statutes, as amended, including amendments set forth in 2003 Wisconsin Act 43, enacted August 11, 2003.

“Additional Payments” means the portion of Payments so designated and described in Section 4.3(f) hereof.

“Agreement” means this Loan Agreement and any amendments, changes, modifications or supplements hereto in accordance with the terms hereof.

“Annual Service Charges” mean the fees and expenses, if authorized, due and owing to the Auction Agent, the Broker-Dealer and the Market Agent in accordance with the terms of the Auction Agent Agreement, the Broker-Dealer Agreement and the Market Agent Agreement, respectively, payable from the Service Account.

“Bonds” mean the Redevelopment Authority of the City of Milwaukee, Wisconsin Taxable Pension Funding Bonds, 2003 Series.

“DOA” means the Department of Administration of the State of Wisconsin.

“DPI” means the Department of Public Instruction of the State of Wisconsin.

“DPI Agreement” means the agreement of even date herewith entered into by and among the Authority, the Borrower, DOA, DPI and the Trustee, as the same may be amended or supplemented.

“Fiscal Year” means the fiscal year for the Borrower as established from time to time by the Borrower, being at the dated date of this Loan Agreement the period from July 1 in any year to and including the following June 30.

“Indenture” or “Trust Indenture” means the Trust Indenture, dated as of _____ 1, 2003, by and between the Authority and Deutsche Bank, as Trustee, as the same may be amended or supplemented.

“Loan Default Event” or “Loan Default” shall have the meaning set forth in Article VI hereof.

“Loan Payments” mean the portion of the Payments required to be paid pursuant to Section 4.3(d) and (e) hereof and the MPS Note.

“MPS Note” means the promissory note of the City on behalf of the Borrower, substantially in the form attached hereto as Exhibit A, to be executed by the City and assigned by the Authority to the Trustee to evidence the obligation of the Borrower to the Authority to repay the loan to be made by the Authority to the Borrower pursuant to this Agreement and to make the Additional Payments specified herein.

“Parity Debt” means obligation issued pursuant to Section 4.10 hereof.

“Payments” means collectively the Loan Payments and the Additional Payments.

“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 the 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.

“Short-Term School Order Notes” mean notes of the City issued on behalf of the Borrower in each year pursuant to Section 67.12, Wisconsin Statutes, which are payable from State Aid.

“State Aid” shall mean the general school aid payments made by the State to the Borrower 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 the Borrower 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 Borrower under Section 121.85(6)(a), (am) and (ar), Wisconsin Statutes, as the same may be amended or renumbered from time to time.

“Swap Agreement” means the agreement of even date herewith entered into by and between the City and the Swap Provider, as the same may be amended or supplemented, or any other similar agreement between the City and a Swap Provider.

“Swap Provider” means the firm or entity with which the City enters into a Swap Agreement on behalf of the Borrower.

“Swap Payments” shall mean any of the periodic interest payments paid or payable by the City on behalf of the Borrower pursuant to the terms of a Swap Agreement.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. Representations by the Authority. The Authority makes the following representations as the basis for its undertakings under this Agreement:

(a) The Authority is a duly created and validly existing public body and a body corporate and politic created under the laws of the State of Wisconsin vested with the rights and powers conferred upon it under the Act.

(b) This Agreement was duly authorized by resolution of the Commissioners of the Authority on _____, 2003 (the “Authority Resolution”) and is in substantially the same form as presented to the Authority at the meeting at which the said resolution was adopted.

(c) The Authority has full right, power and authority to (i) adopt the Authority Resolution and execute and deliver this Agreement and the related documents, (ii) issue, sell and deliver the Bonds, (iii) accept the MPS Note from the Borrower as contemplated under this Agreement, and (iv) carry out and consummate all other transactions contemplated by this Agreement.

(d) The Authority Resolution was duly adopted by a majority of the members of the Commissioners, is in full force and effect and constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

(e) This Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

SECTION 2.2. Representations by City. The City makes the following representations as the basis for its undertakings under this Agreement:

(a) The City is a duly created and validly existing municipal corporation of the State of Wisconsin and is vested with the rights and powers conferred upon it by Wisconsin law and the City's Home Rule Charter.

(b) This Agreement and the MPS Note were duly authorized by resolution of the Common Council of the City on _____, 2003 (the "City Resolution") and are in substantially the same form as presented to the Council at the meeting at which the said resolution was adopted.

(c) The City has full right, power and authority to (i) adopt the City Resolution and execute and deliver this Agreement, the Swap Agreement and the related documents, (ii) issue its MPS Note to the Authority, (iii) use the proceeds of the MPS Note for the Pension Funding Plan at the direction of the Borrower, and (iv) carry out and consummate all of the transactions contemplated by this Agreement and the MPS Note.

(d) The City Resolution was duly adopted by a majority of the members of the Common Council, is in full force and effect and constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

(e) This Agreement has been executed and delivered by duly authorized officials of the City and constitutes the legal, valid and binding obligation of the City, payable solely from Revenues, enforceable against the City in accordance with its terms.

(f) The MPS Note has been executed and delivered by duly authorized officials of the City and constitutes a legal, valid and binding limited obligation of the City, payable solely from Revenues, enforceable in accordance with its terms.

(g) There are not pending nor, to the best of the City's knowledge, threatened, any actions suits, proceedings or investigations against the City of a legal, equitable, regulatory,

administrative or legislative nature, in which a judgment, order or resolution may have a material adverse effect on the City or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the City Resolution, this Agreement or the MPS Note.

(h) There is and will be no indebtedness of the City secured by a pledge of Revenues prior to the lien on, or the pledge of, Revenues securing the MPS Note; provided, however, the Parity Debt, including Short-Term School Order Notes, may be issued from time to time on a parity with the MPS Note; and provided further, that there are presently outstanding \$150,000,000 Short-Term School Order Notes, Series 2003 M5, having a superior lien on Revenues..

(i) No Event of Default or event which, with notice or lapse of time, or both, would become an Event of Default has occurred and is continuing.

SECTION 2.3. Representations by the Borrower. The Borrower makes the following representations as the basis for its undertakings under this Agreement:

(a) The Borrower is a body politic organized and existing under Chapter 119 of the Wisconsin Statutes and is vested with the rights and powers conferred upon it by Wisconsin law.

(b) This Agreement was duly authorized by resolution of the Milwaukee Board of School Directors on _____, 2003 (the "Borrower Resolution") and is substantially the same form as presented to the Board at the meeting at which the Borrower Resolution was adopted.

(c) The Borrower has full right, power and authority to (i) adopt the Borrower Resolution and execute and deliver this Agreement and the related documents, (ii) request the City to issue the MPS Note to the Authority, (iii) direct the City to use the proceeds of the MPS Note for the Pension Funding Plan on behalf of the Borrower and (iv) carry out and consummate all of the transactions contemplated by this Agreement.

(d) The Borrower Resolution was duly adopted by a majority of the members of the Board, is in full force and effect and constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(e) This Agreement has been executed and delivered by a duly authorized official of the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(f) There are not pending nor, to the best of the Borrower's knowledge, threatened, any actions, suits, proceedings or investigations against the Borrower of a legal, equitable, regulatory, administrative or legislative nature, in which a judgment, order or resolution may have a material adverse effect on the Borrower or its business, assets, condition

(financial or otherwise), operations or prospects or on its ability to perform its obligations under the Borrower Resolution or this Agreement.

(g) No material adverse change has occurred in the financial condition of the Borrower as indicated in the financial statements, applications and other information furnished to the Authority.

(h) There is and will be no indebtedness of the Borrower, or the City on behalf of the Borrower, secured by a pledge of Revenues prior to the lien on, or the pledge of, Revenues securing the MPS Note; provided, however, that Parity Debt, including Short-Term School Order Notes, may be issued from time to time on a parity with the MPS Note; and, provided further, that there are presently outstanding \$150,000,000 Short-Term School Order Notes, Series 2003 M5, having a superior lien on Revenues.

(i) No Event of Default or event which, with notice or lapse of time, or both, would become an Event of Default has occurred and is continuing.

ARTICLE III

ISSUANCE OF THE BONDS

SECTION 3.1. Agreement to Issue Bonds. In order to provide funds to loan to the Borrower to finance a portion of the cost of the Pension Funding Plan, the Authority agrees that it will issue and sell the Bonds in the aggregate principal amount of \$_____, bearing interest and maturing as set forth in the Indenture and it will deposit the proceeds thereof in accordance with the provisions of Sections 2.06(a), 2.06(b), and 2.06(c) of the Indenture. Approval by the City and the Borrower of the terms of the Bonds and the Indenture shall be conclusively established by their execution and delivery of this Loan Agreement.

SECTION 3.2. Disbursements from the Bond Proceeds Fund and Costs of Issuance Fund. The Authority will authorize and direct the Trustee under the Indenture to disburse the moneys in the Bond Proceeds Fund and Costs of Issuance Fund in accordance with the Indenture.

SECTION 3.3. Investment of Moneys in the Bond Proceeds Fund, Costs of Issuance Fund and Bond Fund. Any moneys held as part of the Bond Proceeds Fund, the Costs of Issuance Fund or the Bond Fund shall be invested or reinvested, as permitted by law and as provided in the Indenture by the Trustee at the direction of the City, which direction shall be made or confirmed in writing.

ARTICLE IV

LOAN; TERM OF LOAN AGREEMENT; PAYMENTS

SECTION 4.1. The Loan. The Authority agrees, upon the terms and conditions in this Agreement, to lend to the Borrower the principal amount of the Bonds and to make the net proceeds received by the Authority from the sale of the Bonds (exclusive of accrued interest) available to the Trustee to finance a portion of the cost of the Pension Funding Plan. In addition, the Authority shall pay from the proceeds of the Bonds to be deposited with the Trustee in the Costs of Issuance Fund, the costs of issuance of the Bonds. Simultaneously with the delivery of the Bonds, the City shall execute and deliver the MPS Note, corresponding to the loan made under this Section 4.1, to the Authority in accordance with Section 4.2 hereof. The obligation of the Borrower to make Payments under this Agreement and under the MPS Note shall be determined based on the principal amount of the Bonds determined after taking into account any redemption of Bonds upon any optional prepayment by the Borrower of its Loan Payments pursuant to Section 4.5 hereof. The net proceeds of the Bonds shall be deposited in the Bond Proceeds Fund and Costs of Issuance Fund established with the Trustee as provided herein and in the Indenture. Such Bond proceeds shall thereafter be invested and disbursed by the Trustee in accordance with the provisions of this Agreement and the Indenture.

SECTION 4.2. The MPS Note; Maturity of MPS Note. Simultaneously with the delivery of the Bonds, the City, on behalf of the Borrower, shall execute and deliver the MPS Note to the Authority. Thereafter the Borrower shall be obligated to make the Payments, required by this Agreement, but solely from Revenues. Such obligation shall terminate on the date when (i) the MPS Note has been paid in full; and (ii) the Bonds shall have been paid in full or sufficient funds shall be held in trust by the Trustee or provision for such payment pursuant to Section 13.01 of the Indenture shall have otherwise been made. The MPS Note may be prepaid in accordance with Section 4.5 hereof. Upon payment or provision for payment in full of all amounts payable or to become payable under the MPS Note, the Trustee shall deliver the same to the City. Provision for payment in full of all amounts payable or to become payable under the MPS Note and under this Agreement shall be deemed to have occurred (i) with respect to Loan Payments, upon provision for payment in full of the Bonds pursuant to Section 13.01 of the Indenture; and (ii) upon receipt by the Trustee of written notice from the Authority acknowledging that the City has satisfied its obligation to the Authority under the MPS Note. The Authority agrees to deliver such written notice to the Trustee when all such obligations have been satisfied.

SECTION 4.3. Payments Payable. (a) Prior to the beginning of each Fiscal Year beginning on and after July 1, 2004, the Superintendent of Schools of the Borrower shall include in the Borrower's budget (both as originally proposed and as subsequently revised) for the ensuing Fiscal Year of the Borrower for submission to its Board an amount equal to the Payments due in such Fiscal Year including Swap Payments; provided, that so long as a Swap Agreement is in effect the interest component of Loan Payments attributable to the notional amount of the Swap Agreement to be appropriated for the ensuing Fiscal Year shall be computed based on the fixed rate of interest payable. Otherwise, interest on Auction Rate Securities shall be appropriated at the actual average interest rate for any Auction Rate Securities Outstanding

during the twelve calendar months immediately preceding the month in each year in which the Borrower's budget is approved by the Board and the succeeding January 1 for the budget as subsequently revised, plus 200 basis points (2.00%); and interest on Fixed Rate Bonds shall be computed at the actual rate for Fixed Rate Bonds. The obligation of the Borrower to make the Payments and Swap Payments from other than State Aid shall be limited to the amount appropriated, if any, by the Board of School Directors for such purpose in respect of such Fiscal Year. If the amount so appropriated is not sufficient to make the Payments and Swap Payments in any Fiscal Year, the Borrower shall remain obligated to make such Payments and Swap Payments for such Fiscal Year from other moneys in the School Operations Fund. The Comptroller of the City shall file a certificate in a form acceptable to the Trustee, no later than June 1 of each year, certifying that the Borrower either appropriated, or failed to appropriate, Payments and Swap Payments in an amount satisfying the requirements set forth above for the next succeeding Fiscal Year.

(b) The Borrower directs the City to pay to the Trustee for deposit in the appropriate accounts in the Bond Fund in each year that the Bonds are Outstanding from moneys in the School Operations Fund held by the City, to the extent appropriated by the Board of School Directors, on January 1 in each year an amount equal to the Loan Payments and Swap Payments due for the period from the following April 1 through the following September 30 and on August 1 in each year an amount equal to the Loan Payments and Swap Payments due for the period from the following October 1 through the following March 31. The City agrees that it will make such payments as directed. If the Loan Payments and Swap Payments are not paid in full by the City on such dates in any year, the Borrower has directed DPI to pay from State Aid to the Trustee on the State Aid distribution date in each year next preceding each April 1 and October 1, respectively, amounts equal to the Loan Payments and Swap Payments due as set forth above; provided, however, that if State Aid distribution dates should subsequently change, the parties hereto may modify the foregoing provisions of this Section 4.3(b) with consent of the Trustee, the Insurer and the Swap Provider.

(c) The Borrower covenants and agrees to pay the Payments as and when the same are due and payable in accordance with the MPS Note and this Section 4.3. Payments made from the School Operations Fund shall first be applied to the payment of Annual Service Charges and then to Loan Payments and Swap Payments.

The obligation of the Borrower to make the Loan Payments shall be satisfied when made to the Trustee or to the extent there are sufficient amounts credited to the Principal Account and the Interest Account in the Bond Fund held under the Indenture to make the payments therefrom which are then required to be made.

(d) The Loan Payments shall be the amounts of principal of, and premium, if any, and interest on the MPS Note which shall be in an aggregate amount sufficient for, together with other amounts held by the Trustee and available under the Indenture for application to, the payment in full of the Bonds consisting of (i) the total interest becoming due and payable on Bonds to the date of payment thereof, and (ii) the total principal becoming due and payable on Bonds to the date of the payment thereof (together with any required premium).

The Borrower covenants that it shall deposit, or cause to be deposited, with the Trustee sufficient funds to assure that no default shall occur at any time in the payment of the principal of or premium, if any, or the interest on the Bonds, to the extent appropriated as provided in Section 4.3(a) hereof or paid from the State Aid as provided in Section 4.3(b) hereof, and that no unreasonable delay shall occur in the payment of the costs and expenses payable from Additional Payments.

(e) In addition to the Loan Payments under paragraph (d) above, the Borrower shall pay an additional amount to the Trustee for deposit into the Bond Fund and credit to the Redemption Account therein to be applied to the payment of the principal (or redemption price) and accrued interest, if any, payable upon an optional redemption of the Bonds pursuant to Article III of the Indenture to the extent not provided from the other sources described therein.

Each installment of Loan Payments paid by the Borrower shall be increased as may be necessary to make up any previous deficiency in any of the required payments and to make up any deficiency in the Bond Fund.

(f) The Borrower further covenants and agrees to pay, when due and payable, as Additional Payments, certain additional amounts and costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds. Each installment of Additional Payments, if any, shall be equal to the sum of the amounts set forth in clauses (i) to (iv), inclusive, below, and the Borrower shall pay to the Trustee for deposit in the Service Account in the Bond Fund for payment directly to the persons entitled to such payments upon their request; *provided*, the Borrower shall not be required to pay any expense, disbursement or advance that may be attributable to the negligence or bad faith of any party. "Additional Payments" is hereby defined to be the aggregate of the installments of the following:

(i) the reasonable fees and expenses and all other amounts payable to the Authority and the Trustee or other paying agents under this Agreement and the Indenture;

(ii) all reasonable costs incurred in connection with the transfer, exchange, purchase or redemption of Bonds not otherwise paid by the Owners thereof, including all charges of the Authority and the Trustee with respect thereto, to the extent moneys are not otherwise available therefor;

(iii) the reasonable fees and other costs, not otherwise paid under this Agreement or the Indenture, incurred by the Authority in connection with its administration and enforcement of, and compliance with, this Agreement and the Indenture and that the Borrower is obligated to pay, including, but not limited to, attorneys' fees; and

(iv) Annual Service Charges.

(g) The Borrower further covenants and agrees, whether or not any Bonds are Outstanding, to pay, or cause to be paid, to the Trustee, when due and payable, the Swap Payments and other payments under the Swap Agreement other than Swap Payments. Pursuant

to the Indenture the Trustee shall transfer certain amounts on deposit in the Interest Account in the Bond Fund to the Deposit Fund. The Trustee shall also pay from amounts on deposit in the Service Account in the Bond Fund for deposit in the Deposit Fund all other amounts due under the Swap Agreement.

(h) In the event that the Borrower shall fail to make any Payment as required by this Section 4.3, the Payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, which interest shall also constitute an obligation of the Borrower, at the same rate as borne by the Bonds. In no event shall any interest payable hereunder exceed the maximum rate permitted by applicable law.

(i) All Payments to be made by the Borrower hereunder shall be made solely from Revenues.

SECTION 4.4. Notice to Pay; Medium of Payment; Acceleration. Failure to receive any prior notice of the due date of any Payment will not relieve the Borrower of its obligation to pay such Payment when it is due and payable. The Borrower covenants and agrees that it will pay or cause to be paid when due and payable hereunder the Payments, and every installment thereof, without notice or demand therefor and without abatement, reduction or set-off of any kind or nature whatsoever, in lawful money of the United States of America.

If pursuant to the provisions of Section 10.03 of the Indenture, the obligation of the Authority to pay the Bonds is accelerated or shall otherwise be declared due and payable immediately, then the Borrower shall forthwith pay or cause to be paid to the Trustee an amount sufficient, with all other funds available therefor, to pay the Bonds in full, together with an amount which shall be sufficient, with all other funds available therefor, to pay all other obligations of the Authority incurred or to be incurred under the Indenture or this Agreement.

SECTION 4.5. Advance Payments. The Borrower shall have the option from time to time in conjunction with the optional redemption of the Bonds pursuant to Section 3.01 of the Indenture to pay to the Trustee in advance of the time required by this Agreement and the MPS Note for deposit in the Bond Fund for credit to the Redemption Account therein such amounts as the Borrower may elect in order to effect the prepayment of the MPS Note in whole or in part. The Borrower shall give written notice to the Trustee and the Authority of any intention to prepay the MPS Note in whole or in part and of the principal amount to be prepaid not more than sixty (60) nor less than thirty-five (35) days prior to the date on which such payment is to be made on the MPS Note; *provided, however*, that such notice may state that it is conditional upon delivery to the Trustee, not later than the close of business on the Business Day next preceding the date fixed for redemption, of moneys sufficient to pay in full the redemption price of the Bonds called for redemption, as contemplated by Section 3.06(e) of the Indenture. Such optional prepayment, if to be made, shall be made no later than one Business Day prior to the date of prepayment of the Bonds.

SECTION 4.6. The Borrower's Payments as Trust Funds. All Loan Payments and other Payments made or caused to be made by the Borrower under this Agreement and the

MPS Note to the Authority or the Trustee which under the Indenture are required to be applied in payment of or as security for the Bonds shall be and constitute and are hereby declared to be trust funds, whether held by the Authority or the Trustee or any bank or trust company designated for such purpose, and shall continue to be impressed with a trust until such moneys are applied in the manner provided in the Indenture.

SECTION 4.7. Pledge of Revenues; Permitted Future Pledge of Revenues; State Aid.

(a) To secure its obligation to make the Loan Payments and the Swap Payments when due and payable from time to time in accordance with this Loan Agreement, the MPS Note and the Swap Agreement, the Borrower hereby pledges, assigns, hypothecates and transfers to the Authority and the Swap Provider, on a pari passu basis, all of the Borrower's right, title and interest in and to the Revenues and hereby grants to the Authority and the Swap Provider, on a pari passu basis, a lien on and security interest in the Borrower's right, title and interest in and to the Revenues, the interest thereon and all proceeds thereof.

(b) The Borrower agrees that it will not grant or permit to exist any other lien on or security interest in the Revenues which is senior to or on a parity with the security interest and lien in the Revenues granted to the Authority and the Swap Provider above other than (a) the existing lien on and security interest in the School Operations Fund and State Aid securing the payment of the \$150,000,000 City of Milwaukee Short-Term School Order Notes, 2003 Series M5, (b) a lien on and security interest in the School Operations Fund and State Aid securing the payment of any Parity Debt and (c) a lien on and security interest in the Revenues securing the obligations of the Borrower related to or arising in connection with the issuance of Additional Bonds under the Indenture.

(c) The Borrower agrees to do all things necessary to remain eligible to receive State Aid. Pursuant to the DPI Agreement, the Borrower directs the Department of Public Instruction to cause State Aid which the Borrower is entitled to receive to the Trustee under the circumstances, at the times and in the amounts set forth in the DPI Agreement. At such time as the Loan Payments and the Swap Payments have been paid in full in any Fiscal Year, any remaining State Aid paid during such Fiscal Year shall not be subject to the pledge set forth in subsection (a) above.

SECTION 4.8. Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will assign to the Trustee, pursuant to and subject to the provisions of the Indenture, certain of the Authority's rights under this Agreement and the MPS Note, including the right to receive payments hereunder (except the Authority's right to receive payments, if any, under Section 4.3(f)), and the Authority hereby directs the Borrower to make such payments directly to the Trustee pursuant to the terms of this Agreement and the Indenture. The City and the Borrower hereby assent to such assignment and the City will make payments under this Agreement and the MPS Note (except payments to the Authority made pursuant to Sections 4.3(f), hereof which shall be made directly to the Authority) directly to the Trustee without defense or set-off by reason of any dispute between the City, the Borrower or the Trustee pursuant to the terms of this Agreement and the Indenture.

SECTION 4.9. Special Limited Obligation of Authority; Indemnification of Trustee. Any obligation of the Authority, created by or arising out of this Agreement, whether expressed or implied, including the Bonds, or otherwise incurred in connection with the Pension Funding Plan or for damages resulting from the breach of any covenant, undertaking, or warranty shall be a special limited obligation of the Authority and shall not impose a debt or pecuniary

liability upon the Authority or any political subdivision of the State of Wisconsin other than the Borrower, or a charge upon the general credit or taxing powers of any of the foregoing, but shall be payable solely out of Revenues.

Neither the issuance of the Bonds nor the delivery of this Agreement or the Indenture shall, directly or indirectly or contingently or morally, obligate the Authority, the City, the State of Wisconsin or any political subdivision of the State of Wisconsin to levy or pledge any form of taxation whatsoever therefor. Neither the issuance of the Bonds or the delivery of the Agreement or the Indenture shall, directly or indirectly or morally obligate the Authority, the City, the State of Wisconsin or any political subdivision of the State of Wisconsin, other than the Borrower, to make any appropriation for their payment. Nothing in the Bonds or in the Indenture or this Agreement or the proceedings authorizing the Bonds or in the Act shall be construed to authorize the Authority to create a debt of the City, the State of Wisconsin or any political subdivision of the State of Wisconsin within the meaning of any constitutional or statutory provision of the State of Wisconsin, other than the Borrower. The principal of and premium, if any, and interest on the Bonds shall be payable solely from the funds pledged for their payment in accordance with the Indenture. Neither the State of Wisconsin nor any political subdivision thereof, including the City shall in any event be liable for the payment of the principal of or premium, if any, or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever which may be undertaken by the Authority. No breach of any such pledge, obligation or agreement may impose any pecuniary liability upon the State of Wisconsin or any political subdivision thereof, including the City or any charge upon the general credit or against the taxing power of the State of Wisconsin or any political subdivision thereof, including the City.

No member, officer, agent or employee of the Authority or the City shall be personally liable for the payment of the Bonds or any money or damages hereunder or related hereto. Notwithstanding the fact that it is the intention of the parties hereto that the Authority and all officers and employees thereof shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the Authority hereunder or any officer or employee hereof, by reason of the issuance of the Bonds, the execution and delivery of any document, including, but not limited to, the Indenture, this Agreement, the MPS Note or any offering document with respect to the Bonds, or by reason of the performance or non-performance of any act required of it by this Agreement, or the performance or non-performance of any act requested of it by the City or the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the Authority (including any person at any time serving as an officer or employee of the Authority or the City) should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold harmless the Authority and the City (including any person at any time serving as an officer or employee of the Authority or the City, respectively) against all claims by or on behalf of any person, firm or corporation or other legal entity, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon.

SECTION 4.10. Parity Debt. The Borrower may grant a lien on and security interest in the School Operations Fund and in State Aid, on a parity with the lien thereon and

security interest therein granted to the Authority and the Swap Provider in Section 4.7(a) above, and the City may, on behalf of the Borrower, issue obligations (“Parity Debt”), including without limitation Short-Term School Order Notes, in any year and in any principal amount, only upon fulfillment of the following conditions:

(a) prior to the issuance of any obligation which is to be Parity Debt the City shall have received (and provided a copy to the Trustee) written evidence from each rating agency which has an outstanding rating on the Bonds that the rating for the Bonds which are not Insured Bonds will not be lowered or withdrawn as a result of the issuance of such Parity Debt; and

(b) the Borrower has appropriated an amount sufficient to pay the Payments and the Swap Payments in accordance with the terms and provisions of this Loan Agreement during the Fiscal Year in which such Parity Debt is issued.

If the Borrower has not made appropriations sufficient to satisfy the condition in clause (b) above, any lien on or security interest in the School Operations Fund and State Aid shall be junior and subordinate to the lien thereon and security interest therein granted to the Authority and the Swap Provider in Section 4.7(a) above.

ARTICLE V

OPTIONAL PREPAYMENTS; REDEMPTION OF BONDS

SECTION 5.1. Redemption of Bonds. If the Borrower is not in default in making installment payments under Section 4.3 hereof and under the MPS Note, the Trustee has agreed in the Indenture, at the request of the Borrower by notice given by the Borrower in accordance with Section 4.5 hereof, if the same are then redeemable under the provisions of the Indenture and the Bonds, that it shall perform its duties specified in Article III of the Indenture to effect redemption of all or part of the then outstanding Bonds as may be specified by the Borrower on such redemption date as may be specified by the Borrower.

SECTION 5.2. Prepayment of Loan Payments. To the extent the Bonds may be optionally redeemed under the Indenture, the Borrower is authorized and permitted, at any time it may choose, to prepay all or any part of the Payments and amounts due under the MPS Note, and the Authority agrees that the Trustee may accept such prepayments when the same are tendered by the Borrower; *provided* that, subject to the provisions of Sections 4.3(e) hereof, any such amounts must be tendered at least one (1) Business Day prior to the date any Bonds are to be redeemed. All payments so prepaid shall be deposited in the Bond Fund for credit to the Redemption Account therein and credited on the payments specified in Section 4.3 hereof in the order of their due dates, and at the election of the Borrower shall be used for the redemption or purchase of Outstanding Bonds in the manner and to the extent provided in the Indenture.

ARTICLE VI

LOAN DEFAULT AND REMEDIES

SECTION 6.1. Loan Default Event Defined. The following shall be a “Loan Default Event” under this Agreement and the terms “Loan Default Event” or “Loan Default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay or cause to be paid, when due and payable, any installment of Loan Payments resulting in an Event of Default under Section 10.01(a) or (b) of the Indenture, the continuance of such failure to pay or cause to be paid for three (3) Business Days.

(b) Failure by the Borrower to pay or cause to be paid, when due and payable, any Additional Payments and the continuance of such failure for a period of thirty (30) days after written notice thereof shall have been given to the Borrower by the Authority or the Trustee.

(c) Failure by the Borrower to observe and perform any covenant, condition or agreement in this Agreement or the MPS Note on its part to be observed or performed, other than as referred to in subsections (a) or (b) of this Section 6.1, for a period of sixty (60) days after written notice by the Authority or the Trustee, specifying such failure and requesting that it be remedied, is given to the Borrower, unless the Trustee (with any required consent of Bondholders under the provisions of the Indenture) shall agree in writing to an extension of such time prior to its expiration; *provided* that if any such failure shall be such that it cannot be cured or corrected within such sixty (60) day period, it shall not constitute a Loan Default Event hereunder if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected.

(d) The occurrence of an Event of Default as defined in Section 9.01 of the Indenture.

SECTION 6.2. Remedies on Default. In the event any Bonds shall at the time be Outstanding and unpaid and payment thereof, or provision for payment thereof in accordance with Section 13.01 of the Indenture, shall not have been made in accordance with the provisions of the Indenture, whenever any Loan Default Event referred to in Section 6.1 hereof shall have happened and be subsisting, the Trustee may take any one or more of the following remedial steps:

(a) The Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding (calculated in accordance with the Indenture), shall, by notice in writing delivered to the City and the Borrower with copies of such notice being sent to the Authority, declare all payments payable under Section 4.3 hereof and the MPS Note for the remainder of the term of this Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) Notwithstanding the preceding paragraph (a), the Authority whenever any loan Default Event referred to in Section 6.1 hereof shall have happened and be subsisting, then, or at any time thereafter, may give notice to the City and the Borrower declaring all unpaid amounts on the MPS Note, together with all other unpaid amounts outstanding under the Loan Agreement, to be immediately due and payable, and thereupon, without further notice or demand, all such amounts shall become and be immediately due and payable.

(c) The Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement or the MPS Note, whether for specific performance of any covenant or agreement contained herein or therein or in aid of the execution of any power herein granted.

Any amounts collected pursuant to action taken under this Section 6.2 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

SECTION 6.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article VI, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Authority hereunder shall also extend to the Trustee and the Holders of the Bonds issued under the Indenture, all of which are assignees of all covenants and agreements herein contained.

SECTION 6.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained herein or in the MPS Note shall be breached by any party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to be properly given if hand delivered or if mailed by first-class mail, postage prepaid, addressed as follows:

- As to the City - City of Milwaukee
City Hall
200 East Wells Street
Milwaukee, Wisconsin, 53209
Attention: Comptroller

- As to the Borrower - Milwaukee Public Schools
5225 West Vliet Street
Milwaukee, Wisconsin 53208
Attention: Comptroller

- As to the Authority - Redevelopment Authority of the City of Milwaukee
809 North Broadway, 2nd Floor
Milwaukee, Wisconsin 53202
Attention: Economic Development Officer

- As to the Trustee - Deutsche Bank
[address to come]

A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the City or the Borrower to any other shall also be given to the Trustee. The Authority, the City or the Borrower, the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Notwithstanding the foregoing, any notices, certificates or other communications given to the Trustee or the Authority hereunder shall be effective only on receipt.

SECTION 7.2. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the City and the Borrower and their respective successors and assigns.

SECTION 7.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 7.4. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or earlier termination of the term of this Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of Section 13.01 of the Indenture) and the fees and expenses of and any other amounts due the Trustee and any other paying agents in accordance with this Agreement and the Indenture and the payment of

Annual Service Charges, shall belong to and be paid to the Borrower by the Trustee as the return of an overpayment of the amounts payable pursuant to Section 4.3 hereof and the MPS Note.

SECTION 7.5. Amendments, Changes and Modifications. Except as expressly provided in this Agreement or in the Indenture, subsequent to the issuance of the Bonds and prior to the payment in full of the Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Agreement and the MPS Note may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Indenture.

SECTION 7.6. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.7. Delegation of Duties by Authority. It is agreed that under the terms of this Agreement and also under the terms of the Indenture the Authority has delegated certain of its duties hereunder to the Trustee. The fact of such delegation shall be deemed a sufficient compliance by the Authority to satisfy the duties so delegated and the Authority shall not be liable in any way by reason of acts done or omitted by the City, the Borrower or the Trustee. The Authority shall have the right at all times to act in reliance upon the authorization, representation or certification of the Trustee.

SECTION 7.8. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Wisconsin.

SECTION 7.9. Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

IN WITNESS WHEREOF, the Authority, the City and the Borrower have caused this Agreement to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

REDEVELOPMENT AUTHORITY OF THE
CITY OF MILWAUKEE, WISCONSIN

Attest:

(SEAL)

Executive Director- Secretary

By: _____
Chair

CITY OF MILWAUKEE, WISCONSIN

Attest:

(SEAL)

City Clerk

By: _____
Mayor

Approved: City Attorney

By: _____
Comptroller

MILWAUKEE BOARD OF SCHOOL
DIRECTORS

Attest:

Superintendent of Schools

By: _____
President

EXHIBIT A

FORM OF MPS NOTE

\$ _____

Milwaukee, Wisconsin
_____, 2003

FOR VALUE RECEIVED, the City of Milwaukee, Wisconsin (the "City") on behalf of the Milwaukee Board of School Directors (the "Borrower"), promises to pay to the order of the Redevelopment Authority of the City of Milwaukee (the "Authority"), or such other party as the Authority shall designate in writing, solely from the sources as provided in the Loan Agreement and Trust Indenture hereafter referred to, in lawful money of the United States, the principal sum of \$ _____ (the "Loan Amount") payable as shown on the attached schedule, together with (a) interest thereon at such rate or rates as in the aggregate will produce an amount equal to the total of all interest becoming due and payable on a like principal amount of the Redevelopment Authority of the City of Milwaukee Taxable Pension Funding Bonds, 2003 Series (Milwaukee Public Schools) (the "Bonds"), initially issued in the aggregate principal amount of _____ Million Dollars (\$ _____) pursuant to a Trust Indenture, dated as of _____, 2003 (the "Indenture"), by and between the Authority and _____, in _____, _____, as Trustee, in accordance with the Indenture, and (b) such redemption premiums and other amounts as are required to be paid by the City to the Authority as part of the payments provided in the Loan Agreement, dated as of _____, 2003 (the "Loan Agreement"), by and among the Authority, the City and the Borrower. Certain amounts owing hereunder and under the Loan Agreement may be paid by the Department of Public Instruction of the State of Wisconsin pursuant to an Agreement among said Department, the Department of Administration of the State of Wisconsin, the Borrower, the Authority and the Trustee (the "DPI Agreement"). The terms and provisions of the Loan Agreement and DPI Agreement are incorporated herein by reference and made a part hereof.

The principal of the Loan Amounts shall be paid in installments which shall be due and payable in the amounts and on the dates set forth on the attached schedule.

The payment obligations of the City under this note shall be deemed to be discharged and this note shall be cancelled in the event that the Bonds shall have been accelerated under the Indenture and the City shall have paid or caused to be paid all amounts required under the Loan Agreement to be paid upon the occurrence of such acceleration.

The City shall have the option to make payments from time to time in advance of their due dates or to prepay this note in full or in part in accordance with the Indenture, which advance payments or prepayment in full or in part shall be applied as provided in the Loan Agreement and the Indenture.

If the City should default in the payment of any installment due under this note or if any one or more of the events of default specified in the Loan Agreement should occur, and if any such default is not remedied as provided in the Loan Agreement, the Authority then, or at

any time thereafter, may give notice to the City and the Borrower declaring all unpaid amounts of this note then outstanding, together with all other unpaid amounts outstanding under the Loan Agreement, to be immediately due and payable, and thereupon, without further notice or demand, all such amounts shall become and be immediately due and payable. Any failure to exercise this option shall not constitute a waiver of the right to exercise the same at any time in the event of any continuing or subsequent default. In the event of default in the payment of this note, the undersigned hereby agrees to pay all costs incurred in connection with the collection of the amounts then due thereon, including reasonable attorneys' fees.

The payments hereunder shall be payable at the designated corporate trust office of the Trustee in _____, _____.

The City hereby waives presentment for payment, demand, demand and protest and notice of protest, demand and dishonor and nonpayment of this note.

This note and all instruments securing the same are to be construed according to the laws of the State of Wisconsin.

CITY OF MILWAUKEE, WISCONSIN

[SEAL]

Attest:

Ronald D. Leonhardt
City Clerk

John O. Norquist
Mayor

W. Martin Morics
Comptroller

The issuance of this Note has been approved by the Milwaukee Board of School Directors by resolution adopted by said Board on November ____, 2003.

MILWAUKEE BOARD OF SCHOOL
DIRECTORS

Attest:

Superintendent of Schools

President

FOR VALUE RECEIVED, the undersigned Redevelopment Authority of the City of Milwaukee, Wisconsin, hereby assigns, without recourse, all its right, title and interest in and to the above MPS Note to Deutsche Bank, or to its successor or successors, as trustee under that certain Trust Indenture, dated as of _____, 2003, by and between the undersigned and said trustee, securing the Redevelopment Authority of the City of Milwaukee, Wisconsin Taxable Pension Funding Bonds, 2003 Series (Milwaukee Public Schools) and all series issued or to be issued under said Indenture.

Dated as of _____, 2003.

REDEVELOPMENT AUTHORITY OF THE
CITY OF MILWAUKEE, WISCONSIN

Attest:

Executive Director - Secretary

By: _____
Chair

SCHEDULE

**\$ _____ REDEVELOPMENT AUTHORITY OF
THE CITY OF MILWAUKEE, WISCONSIN TAXABLE
PENSION FUNDING BONDS, 2003 SERIES _____
(MILWAUKEE PUBLIC SCHOOLS)**

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------