

In the opinion of Co-Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See “TAX STATUS” herein for a description of certain other provisions of law, which may affect the federal tax treatment of the interest on the Bonds). Interest on the Bonds is not exempt from State of Wisconsin income tax or franchise tax.

\$25,000,000

CITY OF MILWAUKEE, WISCONSIN
VARIABLE RATE GENERAL OBLIGATION CORPORATE PURPOSE BONDS,
SERIES 2005 V8

Dated: Date of Initial Issuance

Due: February 15, 2025

The Variable Rate General Obligation Corporate Purpose Bonds, Series 2005 V8 (the “Bonds”) are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form and purchasers of beneficial interests in the Bonds (“Beneficial Owners”) will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, interest on and purchase price for the Bonds will be made directly to DTC or its nominee, Cede & Co., by J.P. Morgan Trust Company, National Association, as Trustee (the “Trustee”) for the Bonds, so long as DTC or Cede & Co. is the registered owner of the Bonds. DTC is expected, in turn, to remit such payments to DTC Direct Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners. See “THE BONDS–Book-Entry Only System” herein.

Each Bond may bear interest at a Daily Rate, a Weekly Rate, a Bond Interest Term Rate, a Long Term Rate, an Auction Rate or a Fixed Rate. While a Bond bears interest at any of said rates, such Bond will be deemed to be operating in a Daily Rate Period, a Weekly Rate Period, a Short Term Rate Period, a Long Term Rate Period, an Auction Rate Period or a Fixed Rate Period, respectively. Portions of the Bonds may bear interest at a type of rate different from other portions of the Bonds. The rate period in which a Bond is operating may be changed from time to time as described in this Official Statement. Initially, all of the Bonds will be issued in a Weekly Rate Period, and will remain in that rate period until converted to another rate period as described in this Official Statement. Information regarding the initial interest rate on the Bonds may be obtained from Banc of America Securities LLC, as remarketing agent for the Bonds (in such capacity, the “Remarketing Agent”). Interest on the Bonds is payable initially on the first business day of each calendar month, commencing on January 2, 2006, and thereafter is payable as described in this Official Statement.

The Bonds are being issued to finance a portion of the costs of various project for the City of Milwaukee, Wisconsin (the “City”). The Bonds will be issued pursuant to resolution adopted by the Common Council of the City, on December 14, 2004, and on November 15, 2005, and are secured by the provisions of a Trust Indenture dated as of November 1, 2005 (the “Indenture”) by and between the City and the Trustee. The Bonds 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 Bonds are subject to optional and mandatory redemption prior to maturity as described in this Official Statement. The Bonds in a Daily Rate Period, a Weekly Rate Period, a Short Term Rate Period, a Long Term Rate Period or an Auction Rate Period are also subject to optional and mandatory tender for purchase under the circumstances described in this Official Statement.

Purchases of the Bonds bearing interest at a Daily Rate or a Weekly Rate that are not remarketed by the Remarketing Agent initially will be funded, subject to certain conditions described herein, under the Standby Bond Purchase Agreement (the “Liquidity Facility”) dated as of November 1, 2005 among the City, the Trustee and State Street Bank and Trust Company (the “Liquidity Facility Provider”).



Price: 100%

The Bonds are offered when, as and if issued, subject to the approval of their legality by Hawkins Delafield & Wood LLP, New York, New York, Quarles & Brady LLP, Milwaukee, Wisconsin, and Gonzalez, Saggio & Harlan, L.L.P., Milwaukee, Wisconsin, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon by the City Attorney, as counsel for the City, by Winston & Strawn LLP, Chicago, Illinois, as counsel for the Liquidity Facility Provider, and by Chapman and Cutler LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, as co-counsel for the Underwriter. It is anticipated that the Bonds will be available for delivery at the facilities of DTC in New York, New York, on or about November __, 2005.

BANC OF AMERICA SECURITIES LLC

This Official Statement is dated November __, 2005.

No dealer, broker, salesman or other person has been authorized by the City of Milwaukee, Wisconsin (the “City”), State Street Bank and Trust Company (the “Liquidity Facility Provider”) or Banc of America Securities LLC (the “Underwriter”) to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. 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 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, the Liquidity Facility Provider and the Underwriter, and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Liquidity Facility Provider or the Underwriter. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Liquidity Facility Provider since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has 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 Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

EXCEPT AS OTHERWISE DESCRIBED HEREIN UNDER THE CAPTION “THE BONDS—OPTIONAL TENDERS,” IF AND WHEN AN OWNER OF A BOND ELECTS TO SELL A BOND PRIOR TO ITS MATURITY, THERE IS NO ASSURANCE THAT A MARKET WILL HAVE BEEN ESTABLISHED, MAINTAINED OR IS IN EXISTENCE FOR THE PURCHASE AND SALE OF THE BONDS. THE UNDERWRITER INTENDS, BUT ASSUMES NO OBLIGATION, TO ESTABLISH OR MAINTAIN SUCH A MARKET, AND THE UNDERWRITER IS NOT OBLIGATED TO REPURCHASE ANY OF THE BONDS AT THE REQUEST OF THE OWNER THEREOF.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE BONDS 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 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “budget” or other similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY, THE LIQUIDITY FACILITY PROVIDER, THE UNDERWRITER NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT

\$25,000,000

**CITY OF MILWAUKEE, WISCONSIN
VARIABLE RATE GENERAL OBLIGATION CORPORATE PURPOSE BONDS,
SERIES 2005 V8**

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, is furnished in connection with the offer and sale by the City of Milwaukee, Wisconsin (the “City”) of \$25,000,000 aggregate principal amount of its Variable Rate General Obligation Corporate Purpose Bonds, Series 2005 V8 (the “Bonds”). The Bonds are being issued pursuant to Chapter 67 of the *Wisconsin Statutes*, as supplemented and amended (the “Act”), a Trust Indenture dated as of November 1, 2005 (the “Indenture”) by and between the City and J.P. Morgan Trust Company, National Association, as Trustee (the “Trustee”), and a resolution adopted by the Common Council of the City on November 15, 2005. The Bonds are being issued for the purpose of financing the costs of various projects of the City and the costs of issuance of the Bonds.

The Bonds 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. See “SECURITY FOR THE BONDS” herein.

The purchase price of the Bonds is further secured by moneys drawn by the Trustee under the Standby Bond Purchase Agreement dated as of November 1, 2005 (the “Liquidity Facility”) by and among the City, the Trustee and State Street Bank and Trust Company (the “Liquidity Facility Provider”). The Liquidity Facility provides for the Trustee to draw an amount equal to (i) the principal amount of the Bonds to enable the Trustee to pay the principal component of the purchase price of the Bonds, and (ii) the interest on the Bonds for 35 days at the Maximum Rate (as hereinafter defined) to enable the Trustee to pay the interest component of the purchase price of the Bonds. See “THE LIQUIDITY FACILITY PROVIDER” and “THE LIQUIDITY FACILITY” herein.

The foregoing introductory information is subject in all respects to the more complete information contained elsewhere in this Official Statement. Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings ascribed to them in APPENDIX D attached to and made a part of this Official Statement.

Brief descriptions of the City, the Indenture, the Bonds, the Liquidity Facility Provider, the Liquidity Facility and other agreements and documents pertaining to the Bonds are included in this Official Statement. All references herein to such agreements and documents are qualified in their entirety by reference to such agreements and documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such agreements and documents are available at the principal office of the City Hall at 200 East Wells Street, Milwaukee, Wisconsin 53202, Attention: _____.

THE CITY

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 593,920 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

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

The City is authorized to issue the Bonds under the Act. Under the Act, the Bonds 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. See "SECURITY FOR THE BONDS" herein.

More detailed information about the City appears in APPENDIX A attached to and made a part of this Official Statement. Financial information concerning the City appears as APPENDIX B attached to and made a part of this Official Statement.

THE BONDS

GENERAL

The Bonds shall be issuable as fully registered bonds without coupons. The Bonds shall be dated the date of their initial issuance and delivery, and shall mature on February 15, 2025, subject to prior optional and mandatory redemption as further described in this Official Statement. The Bonds shall be issuable in authorized denominations which means, with respect to the Bonds bearing interest at the Daily Rate, the Weekly Rate and the Bond Interest Term Rate, \$100,000 or any integral multiple thereof; with respect to Bonds bearing interest at the Auction Rate, \$25,000 or an integral multiples thereof; and, with respect to Bonds bearing interest at the Fixed Rate and the Long Term Rate, \$5,000 and any integral multiple thereof.

The Trustee shall act as paying agent for the purpose of effecting payment of the principal of, redemption premium, if any, and interest on and purchase price of the Bonds. The principal of, redemption premium, if any, and interest on and purchase price of the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts.

The interest payable on each Bond on any Interest Payment Date shall be paid by the Trustee to the Registered Owner of such Bond as shown on the Bond Register at the close of business on the Record Date, (1) by check or draft mailed to such Registered Owner at the address as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner, or (2) if such Bonds are held by a Securities Depository, or in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic

transfer to such Registered Owner upon written notice signed by such Registered Owner and given to the Trustee not less than five (5) Business Days prior to the Record Date for such interest, containing the electronic transfer instructions including the name and address of the bank (which shall be in the continental United States of America), its ABA routing number and the name and account number to which such Registered Owner wishes to have such transfer directed.

At any given time, the Bonds or any portions thereof may operate in one of six (6) rate periods and shall bear interest at a Daily Rate, a Weekly Rate, a Bond Interest Term Rate, an Auction Rate, a Long Term Rate or a Fixed Rate, as further described in this Official Statement. The Bonds shall initially be issued bearing interest at a Weekly Rate. The Bonds bearing interest at a variable rate shall be referred to herein as “Variable Rate Bonds.” It is not necessary that all of the Variable Rate Bonds of one series operate in the same Interest Rate Period at the same time. The Variable Rate Bonds are subject to tender for purchase under certain circumstances as summarized herein under the subheadings “OPTIONAL TENDERS” and “MANDATORY TENDERS.”

INTEREST RATES AND INTEREST RATE PERIODS

General. The Variable Rate Bonds shall bear interest at Daily Rates, Weekly Rates, Bond Interest Term Rates, Auction Rates, Long Term Rates or Fixed Rates, determined as described below, from and including their date or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for; *provided* that in no event will the interest rate on any Variable Rate Bonds exceed the Maximum Rate. The interest rate for each Bond bearing interest at a Daily Rate, Weekly Rate, Bond Interest Term Rate, Auction Rate, and Long Term Rate during each Interest Rate Period shall be determined by the Remarketing Agent as the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause such Bonds to have a market value as of the date of determination equal to the principal amount thereof, taking into account Prevailing Market Conditions; *provided* that in no event will the interest rate on any Variable Rate Bonds exceed the Maximum Rate. The interest rate of Bonds bearing interest at the Auction Rate will be established as described under the subheading “*Auction Rate Period; Auction Rate*” herein. The interest rate on Bonds bearing interest at the Fixed Rate will be established as described under the subheading “*Fixed Rate Period; Fixed Rate*” herein.

Interest on the Bonds shall be payable in arrears on each Interest Payment Date, commencing on _____, 2005. “*Interest Payment Date*,” with respect to the Bonds, means (i) as to Bonds bearing interest at a Daily Rate and Weekly Rate, the first Business Day of each calendar month, any day that is a Conversion Date from a Daily Rate Period or a Weekly Rate Period, as appropriate, and the maturity date for the Bonds; (ii) as to Bonds bearing interest at a Bond Interest Term Rate, the first Business Day after the last day of each Bond Interest Term within each Short Term Rate Period and any day that is a Conversion Date from Bonds bearing interest at a Bond Interest Term Rate; (iii) as to Bonds bearing interest at a Long Term Rate, the first _____ or _____ next succeeding the Conversion Date to a Long Term Rate Period and each _____ 1 and _____ 1 thereafter.

The amount of interest payable with respect to any Variable Rate Bonds on any Interest Payment Date shall be computed (1) during Daily Rate Periods, Weekly Rate Periods or Short Term Rate Periods, on the basis of a 365- or 366- day year for the number of days actually elapsed, and (2) during Long Term Rate or Fixed Rate Periods, on the basis of a 360 day year of twelve 30 day months. Interest on the Bonds bearing interest at an Auction Rate during an Auction Rate Period of less than 180 days shall be computed on the basis of a 360-day year and the number of days actually

elapsed. Interest on the Bonds bearing interest at an Auction Rate during an Auction Rate Period of 180 days or more shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

Daily Rate Period; Daily Rates. A Daily Interest Period shall commence on a Business Day and shall extend to, but not include, the next succeeding Business Day. Variable Rate Bonds in a Daily Rate Period shall bear interest at a Daily Rate.

The Remarketing Agent will set the Daily Rate no later than 10:00 a.m., New York City time, on the commencement date of the Daily Interest Period to which it relates.

Weekly Rate Period; Weekly Rates. The Bonds shall initially bear interest at the Weekly Rate. The initial Weekly Rate, which shall be applicable with respect to all of the Bonds, shall be as set forth in the Bond Purchase Agreement applicable to the Bonds. Thereafter, a Weekly Rate shall be determined for each Weekly Interest Period as summarized in this section.

The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period shall be in effect as of a Conversion Date or the stated Maturity Date, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and end on the stated maturity date.

The Remarketing Agent will set the Weekly Rate by 5:00 p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such Tuesday is not a Business Day, then on the next preceding Business Day. The Remarketing Agent will give notice of each Weekly Interest Rate to the City and the Trustee by no later than the close of business on the day of determination of such Weekly Interest Rate.

Short-Term Rate Period; Bond Interest Term Rates. During each Short-Term Interest Rate Period, each Bond bearing interest at a Bond Interest Term Rate shall bear interest during each Bond Interest Term for such Bond at the Bond Interest Term Rate for such Bond. Each of such Bond Interest Terms and Bond Interest Term Rates for each Bond (other than Bank Bonds), shall be determined by the Remarketing Agent no later than 12:00 noon, New York City time, on the first day of each Bond Interest Term. The Remarketing Agent will give notice of each Bond Interest Term and Bond Interest Term Rate to the City and the Trustee by no later than the close of business on the day of determination. Each Bond Interest Term shall be a period of not less than one day nor more than 270 days, determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all of the Bonds bearing interest at a Bond Interest Term Rate, will result in the lowest overall interest expense to the City on the Bonds taking into account such factors as deemed necessary by the Remarketing Agent.

Long Term Rate Period; Long Term Rates. Long Term Interest Periods shall be determined by the City; the Interest Payment Date shall be the first _____ or _____ next succeeding the Conversion Date to a Long Term Interest Rate and each _____ 1 and _____ 1 thereafter.

During each Long Term Interest Rate Period for the Bonds, the Bonds shall bear interest at a Long Term Interest Rate, which shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long Term Interest Rate Period. The Remarketing Agent will give notice of the Long Term Interest Rate to the City and the Trustee by no later than the close of business on the day of determination of such Long Term Interest Rate.

Auction Rate Period; Auction Rate. The Auction Rate Period shall be:

- (a) a Flexible Auction Rate Period;
- (b) with respect to the Bonds in a daily Auction Rate Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to the Bonds in a seven-day Auction Rate Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; *provided, however*, that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday); and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; *provided, however*, that if such Thursday is Thanksgiving Day, on the Monday following such Thursday);
- (d) with respect to the Bonds in a 28-day Auction Rate Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iii)

Tuesdays, a period of generally 28 days beginning on a Wednesday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; *provided, however*, that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday); and (v) Thursdays, a period of generally 28 days beginning on a Friday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; *provided, however*, that if such Thursday is Thanksgiving Day, on the Monday following such Thursday);

(e) with respect to the Bonds in a 35-day Auction Rate Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on Sunday) and ending on the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; *provided, however*, that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday); and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the last day of the prior Auction Rate Period if the prior Auction Rate Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day; *provided, however*, that if such Thursday is Thanksgiving Day, on the Monday following such Thursday);

(f) with respect to the Bonds in a three-month Auction Rate Period, a period of generally three months (or shorter period upon a conversion from another Auction Rate Period) beginning on the day following the last day of the prior Auction Rate Period and ending on the day that is 90 days thereafter (unless such day is not Wednesday, in which case on the first Wednesday succeeding such day); *provided, however*, that if such day is not followed by a Business Day, on the next succeeding day which is followed by a Business Day

and further *provided* that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday; and

(g) with respect to the Bonds in a six-month Auction Rate Period, a period of generally six months (or shorter period upon a conversion from another Auction Rate Period) beginning on the day following the last day of the prior Auction Rate Period and ending on the day that is 180 days thereafter (unless such day is not Wednesday, in which case on the first Wednesday succeeding such day); *provided, however*, that if such day is not followed by a Business Day, on the next succeeding day which is followed by a Business Day and further provided that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday.

Determination of Auction Rate. (a) Not later than 9:30 a.m., New York City time, on each Auction Date for the Bonds, the Auction Agent will advise the Broker-Dealers and the Trustee by telephone or other electronic communication acceptable to them of the All Hold Rate, the Maximum Auction Rate and the Index for the Bonds.

(b) Promptly after the Submission Deadline on each Auction Date for the Bonds, the Auction Agent will assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a “Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order” as the case may be, and collectively as a “Submitted Order”) and will determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to paragraph (b) above the Auction Agent will advise the City by telephone (promptly confirmed in writing), telex or facsimile or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Rate Period and the Auction Agent will promptly notify DTC of such Auction Rate.

Fixed Rate Period; Fixed Rate. The Fixed Interest Rate Period shall last until redemption or maturity of the Bonds bearing a Fixed Interest Rate; the Interest Payment Date shall be the first _____ or _____ next succeeding the Conversion Date to a Long Term Interest Rate or a Fixed Interest Rate and each _____ 1 and _____ 1 thereafter; and the Interest Accrual Date shall be the first day of the Fixed Interest Rate Period and, thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date.

Not later than the Business Day prior to the Fixed Interest Rate Date (or if such day is not a Business Day, then on the immediately preceding Business Day), the Remarketing Agent shall determine the interest rate which in its judgment (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent and known by the Remarketing Agent to have been priced or traded under then Prevailing Market Conditions) is the interest rate, but not in excess of the interest rate, which would enable the Remarketing Agent to sell all of the Bonds on the Fixed Interest Rate Date with a Fixed Interest Rate until maturity at 100% of the principal amount thereof plus accrued interest, if any, with respect thereto; *provided, however*, that if the City exercises its option to have the Bonds remarketed on the Fixed Interest Rate Date at a discount or premium, the Remarketing Agent shall establish the Fixed Interest Rate taking into account any such discount or premium specified by the City.

Failure of Remarketing Agent to Determine Interest Rates. In the event the Remarketing Agent fails for any reason to determine the interest rate for any interest period: (A) the interest rate then in effect for Bonds bearing interest at a Daily Rate, Weekly Rate or Bond Interest Term Rate will remain in effect for the next interest period or if no interest rate for the immediately preceding day was determined by the Remarketing Agent or in the event that the interest rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 100% of The Bond Market Association Municipal Swap Index of Municipal Market Data, made available for such day, or if such index is no longer available, or no such index was so made available for such day, 70% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* or *The Bond Buyer* on the day the interest rate would otherwise be determined as specified by the City to the Trustee; and (B) the interest rate then in effect for Bonds bearing interest at a Long-Term Rate will be the Weekly Interest Rate, and shall continue to bear interest at a Weekly Rate until such time as the interest rate on the Bonds shall have been converted to a different mode, and the Bonds shall be subject to purchase at the termination or expiration of the Liquidity Facility.

In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Rate Period, (i) if the preceding Auction Rate Period was a period of 35 days or less, the new Auction Rate Period shall be the same as the preceding Auction Rate Period and the Auction Rate for the new Auction Rate Period shall be the same as the Auction Rate for the preceding Auction Rate Period; and (ii) if the preceding Auction Rate Period was a period of greater than 35 days, the preceding Auction Rate Period shall be extended to the seventh day following the day that would have been the last day of such Auction Rate Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Rate in effect for the preceding Auction Rate Period will continue in effect for the Auction Rate Period as so extended. In the event an Auction Rate Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Rate Period as so extended to take effect for an Auction Rate Period beginning on the Business Day immediately following the last day of the Auction Rate Period as extended which Auction Rate Period will end on the date it would otherwise have ended on had the prior Auction Rate Period not been extended.

Rates and Rate Periods Binding. All determinations of interest rates shall be conclusive and binding upon the City, the Trustee, the Remarketing Agent, the Auction Agent, if any, each Broker-Dealer, if any, the Letter of Credit Bank, if any, the applicable Liquidity Facility Provider, and the Bondholders (the “*Notice Parties*”).

CONVERSIONS BETWEEN RATE PERIODS

Conversion Dates. The rate period in which all or a portion of the Variable Rate Bonds operate may be changed from time to time as summarized under this heading. The series or portion of a series of Variable Rate Bonds to be so converted is referred to herein as the “*affected Variable Rate Bonds.*” A Conversion Date for any Variable Rate Bonds means the day on which a particular type of interest rate becomes effective for Variable Rate Bonds.

Conversion to a Different Mode. The City may, from time to time, by the written direction to the Notice Parties, elect that the Bonds shall bear interest at a different Mode. The direction of the City shall specify: (1) the new Mode selected by the City; (2) the effective date of such Conversion

from the current Mode to a new Mode, which shall be (a) in each case, a Business Day not earlier than the thirtieth day, or forty-fifth day for a Conversion to the Short Term Interest Rate Period, following the receipt by the Trustee of such direction; (b) a valid Redemption Date for the current Mode or a day on which such Bonds would otherwise be subject to optional redemption or mandatory tender if such Conversion did not occur; and (3) the date of delivery of such Bonds to be converted (if other than the effective date). In addition, the direction of the City shall be accompanied by a form of notice to be mailed to the Bondholders of such Bonds by the Trustee.

Notice of Conversion. The Trustee shall give notice by mail, postage prepaid, of a Conversion to a new Mode to the other Notice Parties, the Bondholders of the Bonds subject to Conversion and, if a book-entry system is in effect, then to the Securities Depository, not less than 20 days prior to the effective date of such new Mode. Such notice shall state (1) that the interest rate on the Bonds will be converted to a new Mode, and that all Bonds are subject to mandatory tender regardless of whether or not the Conversion to a new Mode is completed; (2) the effective date of such new Mode; and (3) that such Bonds are subject to mandatory tender for purchase on such effective date, setting forth the applicable purchase price.

Revocation of Conversion. The City may revoke a notice of Conversion prior to the effective date of such new Mode. If the Conversion is revoked, or all the conditions of Section 3.08 hereof are not met as to such Conversion on or prior to the Conversion Date, then the provisions of Section 3.09 hereof shall apply.

Method of Notice of Conversion. In the event that the City shall elect to convert the interest rate on the Bonds to a new Mode, then the written direction furnished by the City as required shall be made by registered or certified mail, or by electronic mail, telex or facsimile confirmed by registered or certified mail. Any such direction of the City shall specify the new Mode for the Bonds and shall be accompanied by a copy of the notice required to be given by the Trustee.

In connection with any Conversion to a new Mode, the City shall cause to be provided to the Notice Parties a Favorable Opinion of Bond Counsel on the Conversion Date or the establishment of a new Long Term Interest Rate Period.

Conditions to Converting to Daily Interest Rate Mode and Weekly Interest Rate Mode. With respect to a Conversion to Daily Interest Rate Mode and Weekly Interest Rate Mode:

- (1) there shall be in effect a Letter of Credit or a Liquidity Facility;
- (2) prior to the Conversion Date the City shall have appointed a Remarketing Agent and a Letter of Credit Bank or a Liquidity Facility Provider with respect to such Bonds, and there shall have been executed and delivered with respect to such Bonds a Remarketing Agreement and a Letter of Credit or a Liquidity Facility.

Conditions to Converting to Short Term Interest Rate Mode. With respect to a Conversion to Short Term Interest Rate Mode:

- (1) there shall be in effect a Letter of Credit or a Liquidity Facility;

(2) prior to the Conversion Date the City shall have appointed a Remarketing Agent and a Letter of Credit Bank or a Liquidity Facility Provider with respect to such Bonds, and there shall have been executed and delivered with respect to such Bonds a Remarketing Agreement and a Letter of Credit or a Liquidity Facility;

(3) the City must engage, at its expense, a commercial paper issuing and paying agent (the "Issuing Agent"), reasonable acceptable to the Trustee and the Paying Agent, having access to DTC's electronic money market issuing and payment system and otherwise eligible to serve as an issuing and paying agent under DTC's policies and procedures for the issuance and payment of commercial paper;

(4) the Remarketing Agent must arrange for the execution and delivery to DTC of the required DTC letter of representation for the eligibility of the Bonds in the Short Term Interest Rate Mode in DTC's book entry system and the provisions of any needed CUSIP numbers;

(5) the City shall take all other action needed to comply with DTC requirements to the issuance and payment of Bonds while in the Short Term Interest Rate Mode; and

(6) the City shall enter into any amendment of the Indenture, as applicable, that is needed to comply with DTC's or any Rating Agency's requirements concerning the issuance of payment of the Bonds in the Short Term Interest Rate Mode.

Conditions to Converting to Long Term Interest Rate Mode. With respect to a Conversion to Long Term Interest Rate Mode:

(1) Written direction of the City shall also specify: (1) the duration of the Long Term Interest Rate Period (which shall be 271 days or longer) during which the Bonds shall bear interest at a Long Term Interest Rate; (2) the last day of the Long Term Interest Rate Period (which last day shall be either the day prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 271 days after the effective date thereof).

(2) There shall be in effect a Letter of Credit or a Liquidity Facility.

Conversions from an Auction Rate Period. At the option of the City, the Interest Rate Period applicable to all of the Bonds may be converted from an Auction Rate Period to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Long Term Interest Rate Period, a Short Term Interest Rate Period or a Fixed Interest Rate Period.

Conditions to Converting to Fixed Interest Rate Mode. With respect to a Conversion to the Fixed Interest Rate Mode:

(1) The City shall have the option, exercisable one time only for the Bonds (unless the Remarketing Agent fails to have determined the Fixed Interest Rate prior to the Fixed Interest Rate Date for the Bonds to be in which case the City may exercise the option until such Fixed Interest Rate for the Bonds is determined), to convert the interest payable with respect to the Bonds to a Fixed Interest Rate. In connection with any Conversion to a Fixed Interest Rate, the City shall have the right to direct the Remarketing Agent to remarket the

Bonds on the Fixed Interest Rate Date at a discount or at a premium, including a premium sufficient to pay any remarketing fees; *provided* that in order to exercise such option, the City must deposit with the Trustee on or prior to the Fixed Interest Rate Date an amount equal to the discount and *provided further* the City has received a Favorable Opinion of Bond Counsel in connection with any remarketing at a discount or a premium. No later than the Business Day prior to the Fixed Interest Rate Date, the Remarketing Agent shall determine the Fixed Interest Rate.

(2) No court of competent jurisdiction determines that the Fixed Interest Rate is invalid or unenforceable.

Failure to Meet Conditions. In the event that any condition to the Conversion of the Bonds shall not have been satisfied as provided in the Indenture, then the Mode with respect to such Bonds shall not be converted and the Bonds shall be remarketed as if no Conversion is being performed, and the Bonds have been tendered.

REDEMPTION OF BONDS

Optional Redemption. The Bonds are subject to optional redemption at the option of the City, in whole or in part, as follows:

(a) Bonds in the Daily Rate Mode and Weekly Rate Mode are subject to optional redemption by the City, in whole or in part, in Authorized Denominations, on any Business Day at a redemption price equal to 100% of the principal being redeemed plus accrued interest, if any, to such Redemption Date, without premium and payment prior to maturity, at the option of the Agency upon written direction from the Agency Representative, in whole or in part on any date at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

(b) Bonds in Short Term Interest Rate Mode are subject to optional redemption by the City, in whole or in part, in Authorized Denominations, on any Interest Payment Date at a redemption price equal to 100% of the principal being redeemed plus accrued interest, if any, to such Redemption Date, without premium.

(c) Bonds in the Long Term Interest Rate Mode and Fixed Interest Rate Mode are subject to optional redemption by the City, in whole or in part, in Authorized Denominations, on any date on or after the start of the redemption periods specified below, at redemption prices set forth below, plus accrued interest, if any, to such Redemption Date:

LENGTH OF LONG TERM INTEREST RATE PERIOD	NO-CALL PERIOD	PREMIUM
Equal to or greater than 13 years	8 years	2% in the first year, 1% in the second year and 0% thereafter
Equal to or greater than 10 years but less than 13 years	5 years	2% in the first year, 1% in the second year and 0% thereafter
Equal to or greater than 7 years but less than 10 years	3 years	1.5% in the first year, 0.5% in the second year and 0% thereafter
Equal to or greater than 4 years but less than 7 years	3 years	1% in the first year, 0% thereafter
Equal to or greater than 2 years but less than 4 years	1 year	0.5% in the first year and 0% thereafter
Greater than 1 year but less than 2 years	1 year	0% at all times
One year or less	Non-callable	N/A

Notwithstanding the foregoing, upon any Conversion of the Bonds to a Long Term Interest Rate or a Fixed Interest Rate, the City may establish a different schedule of dates and prices for optional redemption if a Favorable Opinion of Bond Counsel is provided to the Trustee.

Mandatory Sinking Fund Redemption of Bonds. The Bonds shall be subject to mandatory sinking fund redemption prior to stated maturity on February 1 of each year set forth below in Sinking Fund Installments in the amount set forth next to each year at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date:

FEBRUARY 1 OF THE YEAR	PRINCIPAL AMOUNT	FEBRUARY 1 OF THE YEAR	PRINCIPAL AMOUNT
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*Final Maturity Date

The City may purchase Bonds and credit them against the Sinking Fund Installments at the principal amount thereof by delivering them to the Trustee for cancellation at least forty-five (45) days before the applicable Redemption Date. Upon the purchase or optional redemption of any Bonds for which Sinking Fund Installments shall have been established, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward future applicable Sinking Fund Installments in such order as the City shall determine.

If fewer than all the Bonds are to be redeemed, the City will select which Tranche or Tranches of Bonds are to be redeemed, and the Trustee will select the Bonds within such Tranche or Tranches. The Trustee will make the selection from Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum Authorized Denomination permitted by the Indenture at the time to be separate Bonds each in the minimum Authorized Denomination. During the period that DTC or DTC's nominee is the Registered Owner of the Bonds, if less than all of the Bonds are to be redeemed, the particular Bonds or portions of the Bonds to be redeemed shall be selected by DTC in such manner as DTC may determine.

In the event that the Bonds shall be optionally redeemed in part, then the principal amount so redeemed shall be applied to reduce the amount of Sinking Fund Installments (including principal due on the Maturity Date) as the City shall specify in writing to the Trustee and the Remarketing Agent; *provided* that the amounts so applied shall be in Authorized Denominations.

Notwithstanding the foregoing, when any Bonds to be redeemed pursuant to this subsection (b) are bearing interest at an Auction Rate, if such February 15 is not an Auction Rate Interest Payment Date, the mandatory sinking account redemption shall occur on the Auction Rate Interest Payment Date immediately preceding such February 15.

Notwithstanding the mandatory Sinking Fund Installments established above, the City may modify such mandatory Sinking Fund Installments at any time the City decides to convert the Bonds to a Fixed Interest Rate. In order for any such modification to become effective, the City shall first deliver to the Notice Parties a Favorable Opinion of Bond Counsel.

Selection of Bonds to Be Redeemed. Bonds are subject to redemption in the manner provided in this section, *provided* that for so long as the Book-Entry-Only system is being used, the interests of the Participants in the particular Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by DTC in such manner as DTC and the Participants may determine.

Upon surrender of a Bond to be redeemed, in part only, the Trustee will authenticate for the Holder a new Bond or Bonds of the same Tranche equal in principal amount to the unredeemed portion of the Bond surrendered.

Notice of Redemption. Notice of the call for any redemption of Bonds prior to maturity, specifically identifying by designation, letters, numbers or other distinguishing marks (including CUSIP numbers), the Bonds or portions thereof to be redeemed, the redemption price to be paid, the date fixed for redemption, the name and address of the place or places where the amounts due upon such redemption are payable, and the maturity dates of the Bonds to be redeemed shall be given by the Trustee on behalf of the City by mailing a copy of the redemption notice by registered or certified mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the Redemption Date, to the registered Holder of each such Bond to be redeemed at the address shown on

the registration books kept by the Trustee. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. In the case of any redemption of Bonds prior to maturity to be made at the direction of the City, the Trustee shall give the notices required after receipt of 15 days' prior written notice from the City of such direction and shall not be required to give such notices until such time.

The City may provide that, if at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business five (5) Business Days prior to the scheduled Redemption Date, and such notice shall be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption shall be canceled and on such cancellation date notice shall be mailed to the Holders of such Bonds, to be redeemed in the manner provided in this section.

Failure to give any required notice of redemption or any defect therein as to any particular Bonds will not affect the validity of the call for redemption of any Bonds in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee.

Payment of Bonds Called for Redemption. Upon surrender to the Trustee or the Trustee's agent, Bonds called for redemption shall be paid at the redemption price stated in the notice, plus, when applicable, interest accrued to the Redemption Date.

Effect of Redemption Call. On the date so designated for redemption, notice having been given in the manner and under the conditions provided herein and moneys for payment of the redemption price being held in trust to pay the redemption price, the Bonds so called for redemption shall become and be due and payable on the Redemption Date, interest on such Bonds shall cease to accrue from and after such Redemption Date, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Bonds which have been duly called for redemption under the provisions of this section and for the payment of the redemption price of which moneys shall be held in trust for the Holders of the Bonds to be redeemed, all as provided in the Indenture, shall not be deemed to be Outstanding under the provisions of the Indenture.

OPTIONAL AND MANDATORY TENDERS

Tender at the Option of the Bondholder. Eligible Bonds in a Mode shall be subject to tender at the option of the Bondholder pursuant to the terms specified below. Each Bond (*provided* such Bond is an Eligible Bond) shall be purchased (in whole) from its Bondholder at the option of the Bondholder on a Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of

purchase shall be an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof.

Tender at the Option of the Bondholder in the Daily Interest Rate Mode. Each Eligible Bond in Daily Interest Rate Mode, shall be purchased (in whole) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof upon delivery to the Remarketing Agent by no later than 9:00 a.m., New York City time, on such Business Day, of an irrevocable written notice (or a telephonic notice confirmed by a written notice) which states the principal amount of such Bond and acknowledges that the Bond will be purchased on such date.

Tender at the Option of the Bondholder in the Weekly Interest Rate Mode. Each Eligible Bond in Weekly Interest Rate Mode, shall be purchased (in whole) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Payment Date, in which case, at a purchase price equal to the principal amount thereof upon delivery to the Remarketing Agent of an irrevocable written notice which states the principal amount of such Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee.

Tender at the Option of the Bondholder in the Short Term Interest Rate Mode, the Long Term Interest Rate Mode and Fixed Interest Rate Mode. Bonds in Short Term Interest Rate Mode do not have a right of tender at the option of the Bondholder.

Mandatory Tender in the Short Term Interest Rate Mode and Long Term Interest Rate Mode. The Bonds in Short Term Interest Rate Mode shall be subject to mandatory tender for purchase on the Business Day next succeeding the last day of the Bond Interest Term for that Bond, at a purchase price equal to the principal amount of and accrued interest on the Bonds, to, but not including, the date of purchase.

Mandatory Tender in the Fixed Interest Rate Mode and Auction Rate Mode. There is no mandatory tender for Bonds in the Fixed Rate Mode. In the case of any failed Conversion of Bonds bearing interest at an Auction Rate, no mandatory purchase shall apply.

Mandatory Tender for Purchase upon Termination, Expiration or Replacement of the Letter of Credit or a Liquidity Facility. If at any time the Trustee shall give notice that any Bonds which, at such time, are subject to purchase pursuant to the Letter of Credit or a Liquidity Facility as then in effect will, on the date specified in such notice, cease to be subject to purchase under such Letter of Credit or Liquidity Facility as a result of (i) (A) the termination or expiration of such Letter of Credit or Liquidity Facility; or (B) such Letter of Credit or Liquidity Facility being replaced, in either case, with the effect that the purchase price of such Bond or Bonds is no longer payable from such Letter of Credit or Liquidity Facility; or (ii) the Letter of Credit Bank or the Liquidity Facility Provider notifying the Trustee that (A) an “Event of Default” has occurred under the Letter of Credit, the

Reimbursement Agreement or the Liquidity Facility, as the case may be, and that the Letter of Credit Bank or the Liquidity Facility Provider is terminating the Letter of Credit or the Liquidity Facility, as the case may be, in accordance with the Reimbursement Agreement's or the Liquidity Facility's terms, or (B) the Letter of Credit Bank notifies the Trustee that interest will not be reinstated under the Letter of Credit, then on the second Business Day preceding any such termination, expiration or replacement of or non-reinstatement of interest under the Letter of Credit or the Liquidity Facility, as the case may be, the Bonds shall be purchased or deemed purchased as provided herein.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Bonds, the Trustee shall give notice of a mandatory tender for purchase as a part of the notice given pursuant to Conversion to a new Mode. Such notice shall state (i) the Bonds are subject to mandatory tender for purchase; (ii) the tender date; (iii) the purchase price and that the purchase price of any Bond so subject to mandatory purchase shall be payable only upon surrender of such Bond to the Trustee at its Corporate Trust Office for delivery of Bonds accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or his duly authorized attorney in fact, with such signature guaranteed by an eligible guarantor institution; (iv) that, *provided* that moneys sufficient to effect such purchase have been provided through the remarketing of such Bonds by the Remarketing Agent or through the Letter of Credit or the Liquidity Facility, as the case may be, all Bonds so subject to mandatory tender for purchase shall be purchased on the Mandatory Purchase Date, and that if any Owner of a Bond subject to mandatory tender for purchase shall not surrender such Bond to the Trustee for purchase on such Mandatory Purchase Date, and moneys sufficient to pay the purchase price thereof are on deposit with the Trustee, then such Bond shall be deemed to be an "Undelivered Bond," and that no interest shall accrue thereon on and after such Mandatory Purchase Date and that the holder thereof shall have no rights under the Indenture, other than to receive payment of the purchase price thereof; and (v) in the event that moneys sufficient to pay the purchase price of such Bonds have not been provided to the Trustee either through the remarketing of such Bonds or from the Letter of Credit or the Liquidity Facility, as the case may be, that such Bonds shall not be purchased or deemed purchased and shall continue to bear interest as if such failed purchase shall not have occurred. The City shall provide the Trustee with a form of any such notice.

The Trustee shall give notice by Mail to the Owners of the Bonds then entitled to the benefits of the Letter of Credit or Liquidity Facility, as the case may be, (a) on or before the fifteenth day preceding the expiration of any Letter of Credit or Liquidity Facility in accordance with its terms; (b) on or before the fifteenth day preceding any replacement of the Letter of Credit or Liquidity Facility; (c) as soon as practicable after receipt by the Trustee of notice from the Letter of Credit Bank or the Liquidity Facility Provider, as the case may be, that an "Event of Default" has occurred under the Letter of Credit or Liquidity Facility, as the case may be (but only if such Event of Default would result in the Bonds being subject to mandatory tender promptly after receipt by the Trustee of notice from the Letter of Credit Bank that interest on the Letter of Credit will not be reinstated.

For payment of the purchase price of any Bond required to be purchased, such Bond must be delivered, at or prior to 12:00 noon, New York City time, on the purchase date, to the Trustee at its Corporate Trust Office for delivery of Bonds accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or his duly authorized attorney in fact, with such signature guaranteed by an eligible guarantor institution. In the event any such Bond is delivered after 12:00 noon, New York City time, on the purchase date, payment of the purchase price of such Bond need not be made until the Business Day following the date of delivery

of such Bond, as the case may be, but such Bond shall nonetheless be deemed to have been purchased on the date specified in such notice and no interest shall accrue thereon from and after such date.

Notice of Owner's Election to Tender Bonds Deemed to Be Irrevocable; Undelivered Bonds.

(1) The giving of notice by an Owner of a Bond shall constitute the irrevocable tender for purchase of each such Bond with respect to which such notice shall have been given, regardless of whether such Bond is delivered to the Remarketing Agent for purchase on the relevant purchase date; *provided* that moneys sufficient to pay the purchase price of such Bond are on deposit with the Remarketing Agent for such purpose.

(2) The Remarketing Agent and the Trustee may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Bond. If any Bondholder of a Bond who shall have given notice of tender of purchase shall fail to deliver such Bond to the Remarketing Agent in an optional tender or to the Trustee in a mandatory tender at the place and on the applicable date and at the time specified, or shall fail to deliver such Bond properly endorsed, and moneys sufficient to pay the purchase price thereof are on deposit with the Trustee for such purpose, such Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (A) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding; (B) interest shall no longer accrue thereon; and (C) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the Trustee uninvested and without liability for interest for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Trustee for delivery of Bonds.

Sources of Funds for Purchase of Bonds. Bonds required to be purchased shall be purchased from the Owners thereof, on the date and at the purchase price at which such Bonds are required to be purchased. Funds for the payment of such purchase price shall be derived from the following sources in the order of priority indicated:

(1) proceeds of the sale of such Bonds remarketed to any Person (other than the City) and furnished to the Trustee by the Remarketing Agent for deposit into the Remarketing Reimbursement Fund (as hereinafter defined);

(2) moneys furnished to the Trustee pursuant to a draw on the Letter of Credit or from the Liquidity Facility, as the case may be, for deposit into the Letter of Credit and Liquidity Facility Account (as hereinafter defined) of the Remarketing Reimbursement Fund; and

(3) monies provided by the City.

The City shall not have any obligation to pay the purchase price of any Bonds required to be purchased if the moneys from the sources described in clauses (1) and (2) above are insufficient to provide for such payment. In the event moneys on deposit with the Trustee are insufficient to pay the purchase price of the Bonds to be purchased, the Trustee shall determine the Bonds tendered for

purchase with respect to which such insufficiency exists by lot from those Bonds tendered for purchase and shall return such appropriate Bonds to the Owners thereof together with notice of such insufficiency and the Owners thereof shall thereafter have the right to again tender such Bonds for purchase and no such insufficiency shall constitute a default under the Indenture.

REMARKETING

Remarketing of Bonds. No later than 3:00 p.m. New York City time, (a) on the eighth Business Day prior to each mandatory tender date while the Bonds bear interest at a Long Term Interest Rate, or (b) the sixth calendar day prior to each mandatory tender date or the next succeeding Business Day if such sixth day is not a Business Day while any Bonds bear interest at a Weekly Interest Rate, or (c) the fifth Business Day prior to each mandatory tender date while any Bonds bear interest at a Bond Interest Term Rate, the Trustee shall give notice to the Remarketing Agent by telephone or telecopy, confirmed on the same day in writing, which states the aggregate principal amount of any Bonds which are deemed to be tendered.

Based upon notices from the Holders for optional tender or from the Trustee, the Remarketing Agent shall use its best efforts to sell all of the Bonds tendered for settlement on the applicable tender date.

The Remarketing Agent shall have the right to remarket any Bond (or portion thereof) tendered; *provided, however*, that no such Bond shall be remarketed at a price less than 100% of the principal amount thereof plus accrued interest (if any). The Remarketing Agent shall have the right to purchase any Bond tendered or deemed tendered at 100% of the principal amount thereof, and to thereafter sell such Bond. Any such purchase shall constitute a remarketing hereunder.

The Remarketing Agent shall not remarket any Bond to the City, any guarantor of Bonds or any Person which is an “insider” of the City or any such guarantor within the meaning of the United States Bankruptcy Code.

No later than 10:00 a.m., New York City time, on each tender date the Remarketing Agent shall pay to the Trustee, in immediately available funds, the proceeds theretofore received by the Remarketing Agent from the remarketing of such Bonds tendered for purchase; *provided*, that the Remarketing Agent may use its best efforts to cause the purchasers of the remarketed Bonds to pay the purchase price plus accrued interest (if any) to the Trustee in immediately available funds. The proceeds from the remarketing of any Bonds shall be deposited in the Remarketing Proceeds Account of the Remarketing Reimbursement Fund and segregated from any funds of the City and shall in no case be considered to be, or be, assets of the City.

There shall be deposited in the Remarketing Proceeds Account of the Remarketing Reimbursement Fund, on each tender date, the applicable remarketing proceeds received by the Trustee plus, if necessary, any moneys from a draw on the Letter of Credit or the Liquidity Facility, as the case may be, to be used to pay the purchase price of the applicable tendered Bonds. The Trustee shall use the amounts deposited in the applicable accounts of the Remarketing Reimbursement Fund to pay the purchase price of the related tendered Bonds.

SUMMARY OF MODES

[Table to be provided]

REGISTRATION, TRANSFER AND EXCHANGE OF BONDS

The Trustee will serve as Bond Registrar and keep the Bond Register at its payment office. Any Bond may be transferred only upon the Bond Register upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the City shall execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds of the same series, registered in the name of the transferee, of any denomination or denominations authorized by the Indenture and of the same maturity and bearing interest at the same rate.

Any Bonds, upon surrender thereof at the payment office of the Trustee, together with an assignment duly executed by the Registered Owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity, of any Authorized Denomination, and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or transferred under the Indenture, the City shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the Indenture. All Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee.

The City, the Trustee or the Securities Depository may make a charge against the owner of any Bonds requesting such transfer or exchange of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such charge shall be paid before any such new Bond shall be delivered. The fees and charges of the Trustee for making any transfer or exchange and the expense of any bond printing necessary to effect any such transfer or exchange shall be paid by the City. In the event any owner of Bonds, fails to provide a correct taxpayer identification number to the Trustee, the Trustee may impose a charge against such owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code, such amount may be deducted by the Trustee from amounts otherwise payable to such owner.

The Trustee shall not be required to (i) transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption of such Bond and ending at the close of business on the day of such mailing, or (ii) transfer or exchange any Bond so selected for redemption in whole or in part, during a period beginning at the opening of business on any Record Date for such Bond and ending at the close of business on the relevant Interest Payment Date.

The person in whose name any Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner of such Bond for all purposes, and payment of or on account of the principal of, premium, if any, and interest on and purchase price of any such Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative. All such

payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the City or by the owners (or a designated representative thereof) of 10% or more of the Bonds, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

MUTILATED, LOST, STOLEN OR DESTROYED BONDS

In the event any Bond shall become mutilated, or be lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate and deliver a new Bond of like date and tenor as the Bond mutilated, lost, stolen or destroyed; *provided* that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the City and the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with such security or indemnity as may be required by the Trustee to save the City and the Trustee harmless. In the event any such Bond shall have matured or been selected for redemption, the Trustee in its discretion may, instead of issuing a substitute Bond, pay such Bond without surrender thereof. Upon the issuance of any substitute Bond or payment of a Bond in lieu thereof, the City and the Trustee may require the payment of an amount by the owner thereof sufficient to reimburse the City and the Trustee for any tax or other governmental charge that may be imposed in relation thereto and any other reasonable fees and expenses incurred in connection therewith.

BOOK-ENTRY ONLY SYSTEM

General. When the Bonds are issued, ownership interests in the Bonds will be available to purchasers only through a book-entry-only system (the “*Book-Entry-Only System*”) maintained by The Depository Trust Company (“*DTC*”), New York, New York. DTC will act as securities depository for the Bonds. Initially, the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity of the Bonds, and will be deposited with DTC or with the Trustee as its agent. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuation of the Book-Entry-Only System, as described below.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and will not be or be considered to be owners thereof under the Indenture, and references herein to the owners of the Bonds or the registered owners of the Bonds shall mean Cede & Co., and shall not mean the Beneficial Owners of the Bonds.

DTC and Its Participants. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC

holds and provides asset servicing for over 2.2 million issues of United States and foreign equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and foreign securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation ("*NSCC*," "*FICC*" and "*EMCC*," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both United States and foreign securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "*Indirect Participants*" and, collectively with the Direct Participants, the "*Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the documents

relating to the Bonds. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds of any series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Payments of Principal, Premium, if any, Interest and Purchase Price. So long as any Bond is registered in the name of DTC's nominee, all payments of principal of, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the City or the Underwriter, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of, premium, if any, and interest on and the purchase price of the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Purchases and Tenders. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Direct Participant, to the Trustee and the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase or tender will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC Account.

Discontinuation of Book Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Indenture. The use of the system of book entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Indenture. In that event, Bond certificates will be printed and delivered as described in the Indenture.

The Underwriter, the Trustee and the City will not have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to owners of the Bonds; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as the owner of the Bonds.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriter believe to be reliable, but the City and the Underwriter take no responsibility for the accuracy thereof, and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Trustee is entitled to rely on information provided by DTC and the Participants as to the names and principal amounts in which the Bonds are to be registered. The Beneficial Owner, upon registration of the Bonds held in the Beneficial Owner's name, shall become the owner thereof under the Indenture.

The Trustee and the City, so long as a book-entry system is used for the Bonds, are to send any notice of redemption or other notices required to be sent to owners of the Bonds, only to DTC. Any failure by DTC to advise any Direct Participant or Indirect Participant, or by any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

The City and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants or others will distribute payments on the Bonds made to DTC or its nominee, as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC and the Participants, or any successor depository, will serve and act in a manner described in this Official Statement.

Neither the City nor the Trustee will have any responsibility or obligations to such Direct Participants or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants, or the Beneficial Owners.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

GENERAL OBLIGATION OF THE CITY

The Bonds are general obligations of the City, and the payment of the principal thereof, premium, if any, and interest thereon, and purchase price thereof shall be 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 necessary to pay the principal of and the interest on the Bonds.

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

Under Section 67.035 of the *Wisconsin Statutes*, as supplemented and amended, all taxes levied for paying principal and interest on valid bonds or notes are declared to be without limitation. Under Section 65.06(18) of *Wisconsin Statutes*, as supplemented and amended, 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.

LIQUIDITY FACILITY

The payment of the purchase price of the Bonds bearing interest at a Daily Rate or a Weekly Rate which are tendered for purchase and not remarketed will be made, subject to certain conditions described herein, from amounts made available by the Liquidity Facility Provider pursuant to the Liquidity Facility. Under the Liquidity Facility, the Liquidity Facility Provider is obligated to make available to the Trustee an amount equal to the principal amount of the Bonds which are tendered plus up to 35 days interest at an assumed interest rate of 10%; provided, however, that in certain circumstances as described in “THE LIQUIDITY FACILITY — *Remedies Upon Occurrence of an Event of Default*,” the obligations of the Liquidity Facility Provider to purchase Bonds tendered by the holders thereof may be terminated or suspended without notice, with no final right to tender. The Liquidity Facility secures only the payment of the purchase price of the Bonds tendered for purchase as described herein, and does not otherwise secure payment of the principal of or premium, if any, or interest on the Bonds. The Standby Bond Purchase Agreement will expire, unless extended or terminated earlier in accordance with its terms, on November ____, 2010. For a more detailed description of the Liquidity Facility, see “THE LIQUIDITY FACILITY” herein.

THE LIQUIDITY PROVIDER

LIQUIDITY FACILITY PROVIDER

The Liquidity Facility Provider is a wholly-owned subsidiary of State Street Corporation (the “Corporation”). The Corporation (NYSE: STT) is the world’s leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With \$9.5 trillion in assets under custody and \$1.4 trillion in assets under management, the Corporation operates in 25 countries and more than 100 markets worldwide. The assets of the Liquidity Facility Provider at December 31, 2004, accounted for approximately 96% of the consolidated assets of the Corporation. At December 31, 2004, the Corporation had total assets of \$94.040 billion, total deposits (including deposits in foreign offices) of \$55.129 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$4.611 billion and total equity capital of \$6.159 billion. For more detailed information

concerning the Liquidity Facility Provider, including without limitation more detailed financial information, see APPENDIX C attached to and made a part of this Official Statement.

THE LIQUIDITY FACILITY

General. The City expects to execute the Liquidity Facility with the Liquidity Facility Provider and the Trustee on the date of delivery of the Bonds. The Liquidity Facility requires the Liquidity Facility Provider to provide funds for the purchase of the Bonds bearing interest at a Daily Rate or a Weekly Rate that have been tendered for purchase and not remarketed, subject to certain conditions described below. Bonds so purchased constitute Bank Bonds under the terms of the Liquidity Facility and the Indenture. Bank Bonds will bear interest at the Bank Rate, in accordance with the Liquidity Facility, payable in accordance with the Liquidity Facility.

Various words or terms used in the following summary are defined in this Official Statement, the Liquidity Facility or the Indenture, and reference thereto is made for full understanding of their import.

Issuance of Additional Bonds. The City may issue additional series of its general obligation corporate purpose bonds as variable rate bonds (“*Additional Liquidity Facility Bonds*”). Upon satisfaction of certain conditions precedent, such Additional Liquidity Facility Bonds will be Bonds covered by the Liquidity Facility. **In such case, an event of default under the Liquidity Facility with respect to such Additional Liquidity Facility Bonds could result in the termination of the Liquidity Facility with respect to the Bonds.** For purposes of this section the term “*Liquidity Facility Bonds*” means the Bonds and any Additional Liquidity Facility Bonds.

Representations and Covenants. The City makes certain representations, warranties and covenants under the Liquidity Facility relating to various matters, including, without limitation, authorization and validity, financial statements and litigation. The covenants and agreements contained in the Liquidity Facility run only in favor of the Liquidity Facility Provider and may be waived at any time in the sole discretion of the Liquidity Facility Provider or amended at any time upon the agreement of the City and the Liquidity Facility Provider. Holders are not entitled to and should not rely upon any of the covenants and agreements in the Liquidity Facility.

Expiration of the Liquidity Facility. The Liquidity Facility Provider is obligated to purchase Liquidity Facility Bonds pursuant to the Liquidity Facility from the date of issuance of the Bonds until the earliest to occur of the following dates and events (the “*Facility Period*”): (1) the later of 5:00 p.m. (Eastern United States time) on November __, 2010 (the “*Expiration Date*”), and the date to which such Expiration Date is extended at the sole discretion of the Liquidity Facility Provider (or if such date is not a Business Day, the Business Day next preceding such day); (2) the first date on which no Liquidity Facility Bonds are Outstanding; (3) 5:00 p.m. (Eastern United States time) on the first date on which the interest rate borne by all of the Liquidity Facility Bonds has been converted to a rate other than the Daily Rate or the Weekly Rate; (4) 5:00 p.m. (Eastern United States time) on the thirtieth (30th) day following the date on which a “*Notice of Termination Date*” (defined below in paragraph (2) of “*Remedies Upon Occurrence of an Event of Default*”) is received by the City, the Trustee and the Trustee, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day; (5) 5:00 p.m. (Eastern United States time) on the date on which an Alternate Liquidity Facility has become effective with respect to all Liquidity Facility Bonds; (6) thirty (30) days after the City delivers a notice (with a copy to the Trustee) of voluntary termination of the Liquidity Facility

(or immediately upon delivery of such notice if the Liquidity Facility Provider has defaulted on any payment obligations under the Liquidity Facility), and payment of all amounts owing to the Liquidity Facility Provider under the Liquidity Facility; and (7) the occurrence of a “Termination Event” (as defined below in paragraph (1) of “*Remedies Upon Occurrence of an Event of Default*”).

In the event there is an occurrence of a “Termination Event” as described below, the obligation of the Liquidity Facility Provider to purchase Liquidity Facility Bonds immediately terminates without notice or demand to any person. In such event, holders of Liquidity Facility Bonds will have no right to optionally tender the Liquidity Facility Bonds and may be required to hold such Liquidity Facility Bonds until the earlier of the redemption or maturity thereof.

Purchase of Liquidity Facility Bonds. The Trustee will notify the Liquidity Facility Provider in writing by not later than 11:00 a.m. (Eastern United States time) on the Business Day immediately following the seventh day prior to a Purchase Date of the maximum amount which could be payable on such Purchase Date to pay the Purchase Price of tendered Liquidity Facility Bonds. On each Purchase Date on which the Liquidity Facility Bonds are to be purchased by the Trustee, by no later than 10:30 a.m. (Eastern United States time), the Trustee shall give the Liquidity Facility Provider notice by telecopier and in writing of the aggregate Purchase Price of the tendered Liquidity Facility Bonds required to be purchased by the Liquidity Facility Provider pursuant to the Liquidity Facility, and the amount of principal and interest constituting such Purchase Price. Upon receipt of the notice set forth above, the Liquidity Facility Provider, unless it determines that its obligation to purchase pursuant to the Liquidity Facility has been suspended or terminated in accordance therewith, shall, by no later than 2:00 p.m. (Eastern United States time) on the same day, (or not later than 2:00 p.m. (Eastern United States time) on the next Business Day if the Liquidity Facility Provider receives such notice after 10:30 p.m. (Eastern United States time)) make available to the Trustee, in immediately available funds, such Purchase Price, to be deposited in accordance with the Indenture. As soon as such funds become available, the Trustee is required to purchase therewith, for the account of the Liquidity Facility Provider, that portion of the tendered Liquidity Facility Bonds for the purchase of which immediately available funds are not otherwise then available for such purposes under the Resolution. Under the Liquidity Facility, the Liquidity Facility Provider is obligated to make available to the Trustee an amount equal to the principal amount of the Bonds plus 35 days interest at an assumed interest rate of 10%.

Events of Default Under the Liquidity Facility. The following events constitute events of default under the Liquidity Facility.

(1) Any principal of, or interest on, any Liquidity Facility Bond (including any Bank Bond) or any other amount owed to the Liquidity Facility Provider as owner of any Liquidity Facility Bond or Bank Bond pursuant to the Liquidity Facility, shall not be paid when due; or

(2) The City shall fail to pay any facility fee to the Liquidity Facility Provider due under the Liquidity Facility within ten (10) days after the same shall become due; or

(3) Any representation or warranty made or deemed to be made to the Liquidity Facility Provider by or on behalf of the City in the Liquidity Facility or in any of the Liquidity Facility Bonds, the Bank Bond Custody Agreement, the Indenture, this Official Statement, the Purchase Contract or the Remarketing Agreement or in any of the equivalent documents executed in connection with the issuance of any Additional Liquidity Facility Bonds (collectively, the “*Related Documents*”), or in any

certificate or statement delivered under the Liquidity Facility or under any Related Documents shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The City shall fail to observe or perform certain enumerated covenants shall constitute an event of default immediately and without regard to any grace period; or

(5) The City shall default in the due performance or observance of any other term, covenant or agreement contained (or incorporated by reference) in the Liquidity Facility (other than those referred to in paragraphs (1) through (4) above) and such default shall remain unremedied for a period of thirty (30) days after the Liquidity Facility Provider shall have given written notice thereof to the City; or

(6) The City shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the City shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the City, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, rehabilitation, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the City shall generally not, or shall be unable to, or so admit in writing its inability to, pay its Debts; or

(7) An Event of Default under the Indenture with respect to the payment of principal of or interest on the bonds authorized thereunder or with respect to any Parity Debt; or

(8) Any material provision of the Liquidity Facility or any Related Document (other than this Official Statement or the Purchase Contract) shall cease to be valid and binding on the City or any other party thereto or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or such other party thereto or by any Governmental Agency having jurisdiction, or any Governmental Agency having jurisdiction shall find or rule that any material provision of Liquidity Facility or any Related Document (other than this Official Statement or the Purchase Contract) is not valid or binding on the City or such other party thereto, or the City or such other party (in each case, through an authorized person) shall deny that it has any or further liability or obligation under any such document; or

(9) S&P shall reduce the long-term credit rating of the Bonds below Investment Grade; or

(10) The City shall default in any payment of principal of or premium, if any, or interest on any Parity Debt in excess of \$5,000,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or the City shall fail to perform any other agreement, term or condition

contained in any agreement under which any such Parity Debt is created or secured, which shall permit or result in the declaring due and payable of such obligation prior to the date on which it would otherwise have become due and payable; or

(11) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the City and shall, by order of the Governmental Agency issuing such final judgment or order, be payable as a general obligation of the City, and such judgment or order shall not have been satisfied, stayed or bonded pending appeal.

Remedies Upon Occurrence of an Event of Default. Following the occurrence of certain of the above referenced events of default, the Liquidity Facility Provider may take any one or more of the following actions.

(1) In the case of the occurrence of an event of default specified in paragraphs (1), (6), (7), (8), (9) or (10) above (each, a “*Termination Event*”), the obligations of the Liquidity Facility Provider under the Liquidity Facility to purchase the Liquidity Facility Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Liquidity Facility Provider shall be under no obligation to purchase the Liquidity Facility Bonds. Promptly upon such Termination Event, the Liquidity Facility Provider shall give written notice of the same to the City, the Trustee and the Remarketing Agent; *provided*, that the Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the obligation of the Liquidity Facility Provider to purchase Bonds pursuant to the Liquidity Facility. The Trustee shall notify all Bondowners of the termination of the obligation of the Liquidity Facility Provider to purchase the Liquidity Facility Bonds.

(2) In the case of the occurrence of any event of default described above (other than as specified in paragraph (1) above), the Liquidity Facility Provider may give written notice of such event of default and termination of the Liquidity Facility (a “*Notice of Termination Date*”) to the Trustee, the City and the Remarketing Agent, requesting a mandatory tender of the Liquidity Facility Bonds. The obligation of the Liquidity Facility Provider to purchase the Liquidity Facility Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and on such date the Liquidity Facility Provider shall be under no obligation under the Liquidity Facility to purchase Liquidity Facility Bonds.

(3) In the case of any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or giving of notice, would constitute an Event of Default described in Paragraph 6(ii) or (iii), the obligation of the Liquidity Facility Provider to advance funds for the purchase of Liquidity Facility Bonds under the Liquidity Facility shall be immediately and automatically suspended, without notice, until the bankruptcy, insolvency or similar proceeding referred to in such Paragraph is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligations of the Liquidity Facility Provider under the Liquidity Facility shall be automatically reinstated and the terms of the Liquidity Facility shall continue in full force and effect (unless the obligation of the Liquidity Facility Provider to purchase Liquidity Facility Bonds under the Liquidity Facility shall otherwise have terminated as provided above) as if there had been no such suspension. If at any time prior to the earlier of (i) the Stated Expiration Date of the Liquidity Facility and (ii) the date that is four (4) years following the suspension of the obligation of the Liquidity Facility Provider to purchase Liquidity

Facility Bonds, (x) the potential event of default which gave rise to such suspension is cured or ceased to be continuing and (y) the obligation of the Liquidity Facility Provider to purchase Liquidity Facility Bonds under the Liquidity Facility has not otherwise terminated, then, upon written notice from the Trustee to the Liquidity Facility Provider to such effect, the obligation of the Liquidity Facility Provider to purchase Liquidity Facility Bonds under the Liquidity Facility shall be automatically reinstated. If the occurrence, circumstance or event which gave rise to the suspension of the obligations of the Liquidity Facility Provider to purchase of Liquidity Facility Bonds under the Liquidity Facility has not been cured or has not ceased to be continuing prior to the four (4) year anniversary of such occurrence and the obligation of the Liquidity Provider to purchase Liquidity Facility Bonds under the Liquidity Facility has not otherwise terminated, then the obligations of the Liquidity Provider to advance funds for the purchase of Liquidity Facility Bonds shall be terminated upon written notice from the Liquidity Facility Provider to the City and the Trustee and the Liquidity Facility Provider shall have no further obligations to purchase any Bonds; *provided* that the Liquidity Facility Provider shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligations of the Liquidity Facility Provider to purchase Liquidity Facility Bonds under the Liquidity Facility.

(4) Upon the occurrence of any event of default described above, the Liquidity Facility Provider may declare all accrued and unpaid amounts payable to it under the Liquidity Facility immediately due and payable, and the Liquidity Facility Provider shall have all remedies provided at law or equity, including, without limitation, specific performance; *provided, however*, the Liquidity Facility Provider agrees to purchase the Liquidity Facility Bonds on the terms and conditions of the Liquidity Facility notwithstanding the occurrence of an event of default which does not terminate its obligation to purchase Liquidity Facility Bonds under paragraphs (a) and (b) above or does not suspend its obligation to purchase Liquidity Facility Bonds under paragraph (c) above.

(5) The remedies provided under paragraphs (1), (2), (3) and (4) under “*Remedies Upon Occurrence of an Event of Default*” shall only be exclusive with respect to such events of default to the extent they are obtained by the Liquidity Facility Provider. If, for any reason whatsoever, the Liquidity Facility Provider is not able to obtain all such remedies, then the Liquidity Facility Provider reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity or the Liquidity Facility.

Extension of Liquidity Facility. Upon written request of the City to the Liquidity Facility Provider, made not less than 90 days nor more than 120 days prior to the then current Expiration Date or at such other time as is acceptable to the Liquidity Facility Provider, the then current Expiration Date may be extended from time to time by agreement in writing between the Liquidity Facility Provider and the City (the period from the preceding Expiration Date to such new Expiration Date being herein sometimes called the “*Extended Facility Period*”). The Extended Facility Period may itself be extended in a like manner. The Liquidity Facility Provider has no obligation to agree to any Extended Facility Period. If the Liquidity Facility Provider, in its sole discretion following such request by the City, agrees to extend any such period, the Liquidity Facility Provider shall give written notice of the election to extend to the City, the Trustee and the Remarketing Agent, within forty-five (45) days of such request. If the Liquidity Facility Provider does not so notify the City, the Expiration Date shall not be extended.

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of the Bond proceeds and other funds in connection with the issuance of the Bonds:

SOURCES OF FUNDS	
Par amount of the Bonds	<u>\$25,000,000.00</u>
Total Sources of Funds	\$25,000,000.00
USES OF FUNDS:	
Deposit to Project Fund	\$
Underwriter's Fee	
Liquidity Facility Fee	
Other Costs of Issuance	
Total Uses of Funds	<u>\$25,000,000.00</u>

TAX STATUS

GENERAL

In the opinion of Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinion, Co-Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and Co-Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103 of the Code.

Co-Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update their opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that the interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess

earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause the interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of the Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

LEGISLATION

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the interest on the Bonds or the market price of the Bonds.

STATE TAX MATTERS

Interest on the Bonds is not exempt from State of Wisconsin income tax or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

LITIGATION

[TO BE PROVIDED BY THE CITY]

RATINGS

_____ has assigned ratings of “___/___” to the Bonds, based in part on the credit of the City and in part on the issuance of the Liquidity Facility by the Liquidity Facility Provider. Any explanation as to the significance of the above ratings may only be obtained from the rating agency furnishing the same.

The City and the Liquidity Facility Provider furnished to the rating agencies certain information and materials, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. There is no assurance that any rating will remain for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the appropriate rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price or marketability of the Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds by the City are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Quarles & Brady LLP, Milwaukee, Wisconsin and Gonzalez, Saggio & Harlan, L.L.P., Milwaukee, Wisconsin, Co-Bond Counsel, whose approving legal opinions will be delivered with the Bonds. The proposed form of such opinion appears as APPENDIX E attached hereto and made a part of this Official Statement. Certain legal matters will be passed upon by Chapman and Cutler LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, as counsel for the Underwriter, by the City Attorney, as counsel for the City, and by Winston & Strawn LLP, Chicago, Illinois, as counsel for the Liquidity Facility Provider.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 (the “*Rule*”) promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, the City will covenant pursuant to a resolution adopted by the Common Council of the City to enter into an undertaking (the “*Undertaking*”) for the benefit of owners including beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to certain information repositories annually, and 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 details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Master Continuing Disclosure Certificate and Addendums, which shall be made applicable to the Bonds pursuant to Schedules to be executed and delivered by the City at the time Bonds are

delivered. Such Certificate, Addendums and Schedules will be in substantially the form attached hereto as APPENDIX F. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds or under the Indenture (although the owners of the Bonds will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FINANCIAL ADVISOR

The City has retained Robert W. Baird & Co., Incorporated to serve as Financial Advisor with respect to the issuance of the Bonds. The Financial Advisor has assisted the City in matters relating to the planning, structuring and issuance of the Bonds and various other debt related matters.

UNDERWRITING

Banc of America Securities LLC (the “*Underwriter*”) has agreed to purchase the Bonds at a purchase price of par, and is receiving a fee of \$_____, pursuant to a bond purchase agreement between the City and the Underwriter. The purchase agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. In the purchase agreement, the City agrees to indemnify the Underwriter against certain liabilities or to contribute to any payments required to be made by the Underwriter relating to such liabilities, including liabilities under federal securities laws. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth in the bond purchase agreement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into an investment trust) and others at prices lower than the prices stated on the inside cover page of this Official Statement.

MISCELLANEOUS

Simultaneously with the delivery of the Bonds, the City Comptroller of the City, acting on behalf of the City, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

The agreement of the City with respect to the Bonds is fully set forth in the Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

The attached Appendices are integral parts of this Official Statement, and should be read together with all of the foregoing information.

The execution and delivery of this Official Statement by the City Comptroller of the City has been duly authorized by the Common Council of the City.

CITY OF MILWAUKEE, WISCONSIN

By: _____
City Comptroller

APPENDIX A

THE CITY OF MILWAUKEE, WISCONSIN

GENERAL INFORMATION

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. The City is Wisconsin’s largest city with a population of approximately 593,920 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States of America.

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

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

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

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

CITY OFFICIALS

ELECTED ON APRIL 6, 2004
(initial year in office follows name)

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

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Michael S. D'Amato	(1996)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Michael McGee, Jr.	(2004)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2008.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,401 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 governmental units 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 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 governmental unit 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, the City is home to a modern 17,000+ seat indoor sports and concert venue, the Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. Milwaukee also boasts a lakefront Milwaukee Art Museum, as well as a major symphony, ballet companies, theater 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 of America, 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 6,933 of the City's 7,150 full-time employees are members of bargaining units represented by 19 unions. Labor agreements are in place through December 31, 2006, with 10 unions representing approximately 2,886 employees. The remainder of the unions are at various stages in the negotiation process including mediation and arbitration.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of approximately 593,920, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last United States Census, population in the four county retail trade area surrounding the City is approximately 1,512,400, and represents 28% of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight 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 the City, 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</u> ⁽¹⁾	<u>PER CAPITA AVERAGE INCOME</u>	<u>PER CAPITA HOUSEHOLD INCOME</u>	<u>PER CAPITA EQUALIZED VALUE</u>
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	13,420	34,320	34,022
2003	595,245	13,680	35,436	36,507
2004	593,920	Not Available	Not Available	39,554

(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 2000 through December 2004.

GENERAL TOTAL

<u>YEAR</u>	<u>VALUE</u>	<u>PERMITS ISSUED</u>
2000	\$281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884
2004	294,811,125	2,784

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>	
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
2003	20,069,077	159	91,792,191	666	111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244

COMMERCIAL BUILDING

<u>YEAR</u>	<u>VALUE</u>	<u>PERMITS ISSUED</u>
2000	\$ 99,967,923	88
2001	106,537,251	99
2002	87,778,047	89
2003	61,824,799	96
2004	63,485,441	89

PUBLIC BUILDING

<u>YEAR</u>	<u>VALUE</u>	<u>PERMITS ISSUED</u>
2000	\$43,153,279	181
2001	64,534,354	406
2002	24,122,613	159
2003	54,241,508	202
2004	34,176,914	95

ALTERATIONS AND ADDITIONS

<u>YEAR</u>	<u>VALUE</u>	<u>PERMITS ISSUED</u>
2000	\$103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399
2004	118,905,782	2,356

Note: Miller Park, the City's 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)

	2000	2001	2002	2003	2004 ⁽⁷⁾
Bank One, Milwaukee, N.A. ⁽¹⁾⁽²⁾	\$4,397,409	\$4,398,040	—	—	—
M & I Marshall & Ilsley Bank	8,623,224	18,244,031	\$18,523,783	\$20,932,473	\$24,071,245
Wells Fargo Bank Wisconsin, N.A.	1,803,846	1,992,708	2,200,491	2,277,301	(8)
Bank Mutual ⁽³⁾	1,343,013	1,479,372	1,477,209	2,270,649	2,032,698
Associated Bank Milwaukee ⁽⁴⁾	1,918,455	5,840,463	5,648,495	—	—
Guaranty Bank	918,287	1,475,151	1,784,272	1,541,942	1,359,925
Johnson Bank	1,105,687	1,165,488	1,468,019	1,872,594	(9)
St. Francis Bank, FSB ⁽⁵⁾	1,480,471	1,431,840	140,024	1,349,686	(9)
State Financial Bank, N.A. ⁽⁶⁾	859,769	955,237	991,701	—	—
Park Bank	455,397	466,454	472,664	510,814	568,412

⁽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 Bank Mutual March, 2003.

⁽⁴⁾ Changed title to Associated Bank, National Association, due to merger with Associated Bank Green Bay, National Association on April 20, 2001.

⁽⁵⁾ St. Francis Bank merged into Mid America Bank, FSB, Clarendon Hills, Illinois on 12/01/2003.

⁽⁶⁾ State Financial Bank, N.A. formed by merger in 2000.

⁽⁷⁾ As of March 2005.

⁽⁸⁾ Changed title to Wells Fargo Bank, National Association due to merger with Wells Fargo, National Association of San Francisco, CA, effective February 2004.

⁽⁹⁾ No data available as of March 2005.

Source: Wisconsin Department of Financial Institutions, March 2005 and The American Financial Directory (Wisconsin) July-December 2005.

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.

**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>	2004 ⁽¹⁾ <u>EMPLOYMENT</u>	<u>TYPE OF BUSINESS OR SERVICE</u>
Aurora Health Care	13,275	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,700	Government
Covenant Health Care	9,300	Health Care
City of Milwaukee	7,401	Government
M&I Marshall & Ilsley	7,176	Holding company banking/finance and data services
Milwaukee Public Schools	7,137	Education
Columbia-St. Mary's	5,749	Health Care
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,307	Education
Medical College of Wisconsin	4,430	Medical school/academic/health care
Northwestern Mutual Life	4,039	Insurance
Rockwell Automation (formerly Allen-Bradley)	3,800	Manufacturer, electrical/electronic products
Harley-Davidson Motor Company	3,599	Manufacturer, motorcycles
Froedert Memorial Lutheran Hospital	3,400	Health Care
US Bank (formerly Firststar Corporation)	3,350	Finance, banking
WE Energies	2,791	Electric/natural gas utility
SBC Communications (Ameritech Corporation)	2,766	Communications
Johnson Controls, Inc.	2,500	Manufacturer, of electronic control systems and automobile interior modules
Children's Hospital of Wisconsin	2,500	Health care
Marquette University	2,019	Higher Education
Briggs and Stratton	2,000	Manufacturer, small engines, automotive locks and keys
Fortis	1,863	Health care
Journal Communications	1,800	Publishing, printing and broadcasting
Miller Brewing Company	1,700	Manufacturer of beer and aluminum containers
Delphi Automotive Systems (General Motors)	1,600	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive parts

⁽¹⁾ Reflects full-time equivalent employees (FTEs).

Source: The 2005 Business Journal, 2005 Wisconsin Manufacturers and Business Service Directories and employer surveys August 2004 and February 2005.

EMPLOYMENT AND INDUSTRY

During 2004, the City's unemployment rate averaged approximately 9.3%. 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 2001 through July 2005.

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2005	7.3%	5.0%	4.8%	5.2%
2004	9.3	5.8	4.9	5.5
2003	9.7	6.1	5.6	6.0
2002	9.6	6.0	5.5	5.8
2001	7.7	4.7	4.5	4.7

Source: U.S. Bureau of Labor Statistics.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69 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
2004⁽¹⁾

<u>NAICS DESCRIPTION</u>	<u>NUMBER OF ESTABLISHMENTS</u>	<u>AVERAGE EMPLOYMENT</u>
Agriculture, Forestry, Fishing & Hunting	3	8
Mining	6	36
Utilities	22	1,553
Construction	778	7,608
Manufacturing	862	39,650
Wholesale Trade	912	12,090
Retail Trade	1,558	20,736
Transportation & Warehousing	413	12,566
Information	245	8,938
Finance & Insurance	776	24,853
Real Estate & Rental & Housing	537	4,486
Professional & Technical Services	1,495	17,283
Management of Companies & Enterprises	132	11,232
Administrative & Waste Services	782	24,526
Educational Services	348	32,236
Health Care & Social Services	1,658	59,092
Arts, Entertainment, & Recreation	166	6,405
Accommodation & Food Services	1,107	21,625
Other Services, Excluding Public Administration	1,995	10,558
Public Administration	41	17,302
Unclassified	<u>2</u>	<u>9</u>
TOTAL	<u>13,838</u>	<u>332,790</u>
All Government	241	45,667
Private Sector	<u>13,597</u>	<u>287,123</u>
TOTAL	<u>13,838</u>	<u>332,790</u>

NOTE: Due to the method of reporting in prior years, the information stated above is incompatible with the data provided in previous years. The Wisconsin Department of Workforce Development changed its method of reporting data from the old system of Standard Industry Classification (SIC) to the new North American Industry Classification System (NAICS). The impact changed the number of industries reported from four subsectors to ten subsectors. The new method and format of reporting data is also incompatible with previous data sets by industry under the former SIC structure.

(1) Information represents second quarter 2004.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2004 ASSESSED VALUATIONS

US Bank (fna First Security Bank)	\$221,108,570
Northwestern Mutual Life Ins.	166,455,780
Teachers Insurance & Annuity/TIAA Realty	104,989,070
Towne Realty	85,265,870
M & I Marshall & Ilsley Bank/Metavante Corp	79,325,020
Metropolitan Associates	76,535,640
Marcus Corp/Milw City Center/Pfister	71,423,920
Miller Brewing	71,372,250
100 E. Wisconsin Ave Joint Venture	56,967,650
Great Lakes REIT/GLR Milw Center	56,455,410

Source: City of Milwaukee Assessor's Office January 2005.

DEBT STRUCTURE

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

LEGAL DEBT LIMITATIONS

Section 67.03 of the *Wisconsin Statutes*, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the *Wisconsin Statutes*, as supplemented and amended, further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes. Such debt margins, as of November 15, 2005, are calculated upon the 2005 City equalized valuation for 2006 purposes of \$26,256,713,800. After issuance of the Bonds, the available five percent debt margin for City borrowing is \$662,125,690 or 50.4% remaining for future debt issuance. The available two percent debt margin for school purpose borrowing is \$503,940,067, or 96.0% remaining for future debt issuance.

DEBT MARGIN
(Includes the Bonds)

2005 Equalized Value of Taxable Property in the City \$26,256,713,800*

LEGAL DEBT LIMITATION FOR CITY BORROWING

5% of Equalized Value		\$1,312,835,690
General Obligation Debt Outstanding subject to 5% Limit as of November 15, 2005	\$635,620,000	
Plus: Bonds	25,000,000	
Less: Provisions for current year maturities	<u>(9,910,000)</u>	
Net General Obligation Debt Outstanding subject to the 5% Limit as of November 15, 2005		<u>\$650,710,000</u>
 Total Debt Margin for City Borrowing (in Dollars)		 <u>\$662,125,690</u>
 (As a percentage)		 50.43%

LEGAL DEBT LIMITATION FOR SCHOOL PURPOSE BORROWING

2% of Equalized Value		\$525,134,276
General Obligation Debt Outstanding subject to 2% Limit as of November 15, 2005	\$21,194,209	
Less; Provisions for current year maturities	<u>-0-</u>	
Net General Obligation Debt Outstanding subject to the 5% Limit as of November 15, 2005		<u>\$21,194,209</u>
 Total Debt Margin for School Purpose Borrowing (in Dollars)		 <u>\$503,940,067</u>
 (As a percentage)		 96.0%

**Preliminary*

DEBT REFUNDED

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

\$30,725,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of five general obligation bond issues, with a final escrow payment in 2009, with Associated Trust Company, N.A. as escrow trustee.

\$159,985,000 General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, with Marshall & Ilsley Trust Company, N.A. as escrow trustee.

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

None of the refunded debt is reflected in the “Debt Margin” presentation above.

**ANALYSIS OF GENERAL OBLIGATION DEBT
OUTSTANDING AS OF NOVEMBER 15, 2005**

Schools (5% City Borrowing)	\$108,241,625
Schools (2% School Purpose Borrowing)	21,194,209
Tax Increment Districts	108,494,690
Public Buildings	73,775,061
Streets	72,665,621
Sewers	59,537,318
Police	45,150,064
Water	28,529,743
Finance Real & Personal Property Tax Rec	26,323,406
Local Improvement Projects/Special Ass	20,782,697
Blight Elimination/Urban Renewal	19,986,730
Parking	15,028,090
Fire	13,831,653
Bridges	12,935,220
Library	8,703,689
FMIS Replacement	7,593,000
Playground/Rec Facilities	7,306,909
Harbor	4,042,415
Municipal Expenses	1,750,000
Grant & Aid Improvements City Share	385,092
Economic Development	283,544
Industrial Land Bank	141,770
Milwaukee Exposition and Conv Center	67,875
Resource Recovery	46,073
Lakefront Development	17,715
	<hr/>
Total	<u>\$656,814,209</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

	Total G.O. Debt Service as of <u>11/15/2005</u>	<u>This issue of G.O. Bonds</u>		Total Requirements After Issuance
		<u>Bonds</u>	<u>Interest</u> ⁽¹⁾	
2005	\$12,387,470			\$12,387,470
2006	112,549,935		\$1,250,000	113,799,935
2007	97,444,266		1,250,000	98,694,266
2008	90,124,095		1,250,000	91,374,095
2009	79,304,919		1,250,000	80,554,919
2010	73,168,654		1,250,000	74,418,654
2011	65,222,725		1,250,000	66,472,725
2012	58,737,486		1,250,000	59,987,486
2013	52,716,499		1,250,000	53,966,499
2014	45,668,254		1,250,000	46,918,254
2015	39,186,485		1,250,000	40,436,485
2016	33,918,423		1,250,000	35,168,423
2017	29,063,875		1,250,000	30,313,875
2018	23,114,015		1,250,000	24,364,015
2019	16,695,506		1,250,000	17,945,506
2020	12,242,319		1,250,000	13,492,319
2021	7,310,875	\$5,000,000	1,250,000	13,560,875
2022	6,893,500	5,000,000	1,000,000	12,893,500
2023	4,955,000	5,000,000	750,000	10,705,000
2023	0	5,000,000	500,000	5,500,000
2025	0	5,000,000	250,000	5,250,000
	<u>\$860,704,301</u>	<u>\$25,000,000</u>	<u>\$22,500,000</u>	<u>\$908,204,301</u>

⁽¹⁾ Assumes an interest rate of 5.00% on the G.O. Bonds..

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>	<u>GENERAL OBLIGATION DEBT OUTSTANDING²</u>	<u>DEBT SERVICE FUND BALANCE¹</u>		<u>DEBT LESS DEBT SERVICE FUND BALANCE</u>
		<u>ALLOCATED TO SPECIFIC ISSUES³</u>	<u>UNALLOCATED⁴</u>	
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
2003 ⁵	660,081,448	22,503,385	12,192,196	625,385,866
2004 ⁵	672,642,303	23,707,300	10,625,595	638,259,408

(The remainder of this page has been left blank intentionally.)

¹ The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Increment 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, please see "TAX INCREMENT DISTRICT FINANCING.")

² Includes amounts borrowed for Tax Increment 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
SELF-SUSTAINING GENERAL OBLIGATION DEBT⁽¹⁾

<u>DATE</u>	<u>GENERAL OBLIGATION DEBT LESS DEBT SERVICE BALANCE⁽²⁾</u>	<u>TID PROGRAM⁽³⁾</u>	<u>PARKING PROGRAM</u>	<u>SPECIAL ASSESSMENTS⁽⁴⁾</u>	<u>DELINQUENT TAXES⁽⁵⁾</u>	<u>WATER</u>	<u>TOTAL SELF SUSTAINING DEBT</u>	<u>NET GENERAL OBLIGATION DEBT LESS SELF-SUSTAINING DEBT⁽⁶⁾</u>
12/31/2000	\$584,426,928	\$66,078,454	\$26,981,616	\$26,299,555	\$21,225,000	\$52,611,050	\$193,195,675	\$391,231,253
12/31/2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
12/31/2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	454,785,677
12/31/2003	647,889,251	88,436,381	19,635,246	24,837,384	24,190,000	37,808,589	194,907,600	452,981,651
12/31/2004	661,966,708	98,051,013	16,612,840	22,824,289	26,260,000	32,800,701	196,548,843	465,417,865

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements are 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>DATE</u>	<u>DEBT PER CAPITA</u>
12/31/2000	\$646.05
12/31/2001	688.17
12/31/2002	763.12
12/31/2003	762.70
12/31/2004	783.64

**RATIO OF GENERAL OBLIGATION DEBT
TO EQUALIZED AND ASSESSED VALUES AND TO PER CAPITA
AND PER CAPITA INCOMES**

<u>DATE</u>	<u>POPULATION</u> ⁽¹⁾	<u>NET EQUALIZED VALUATION</u> ⁽²⁾	<u>ASSESSED VALUATION</u>	<u>NET GENERAL OBLIGATION DEBT</u> ⁽³⁾	<u>NET GENERAL OBLIGATION DEBT/EQUALIZED VALUATION</u> ⁽⁴⁾	<u>NET GENERAL OBLIGATION DEBT/ASSESSED VALUATION</u>	<u>NET GENERAL OBLIGATION DEBT PER CAPITA</u> ⁽⁴⁾	<u>PER CAPITA INCOME</u>	<u>NET G.O. DEBT PER CAPITA/PER CAPITAL INCOME</u>
12/31/2000	605,572	\$17,344,251,400	\$17,582,994,597	\$574,803,921	3.31%	3.27%	\$ 949.19	\$14,170	6.70%
12/31/2001	595,508	19,453,830,200	17,699,784,394	601,245,647	3.09	3.40	1,009.63	14,147	7.14
12/31/2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	13,420	8.03
12/31/2003	595,245	21,730,754,000	21,009,517,241	625,385,866	2.88	2.98	1,050.64	13,680	7.68
12/31/2004	593,920	23,491,773,700	22,772,419,500	638,259,408	2.72	2.80	1,074.66	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) Sources 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 2000 through 2004, the following results would have occurred:

<u>DATE</u>	<u>DEBT PERCENTAGE OF EQUALIZED VALUE</u>	<u>DIRECT DEBT PER CAPITA</u>
12/31/2000	3.06%	\$ 877.44
12/31/2001	2.86	936.33
12/31/2002	2.94	1,002.87
12/31/2003	2.67	976.44
12/31/2004	2.52	998.71

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
NOVEMBER 15, 2005**

Governmental Unit	Debt Outstanding As of November 15, 2005	Approximate Percentage Applicable	Milwaukee's Share of Debt As of November 15, 2005
City of Milwaukee ⁽¹⁾	\$625,710,000	100.00%	\$625,710,000
Area Board of Vocational, Technical and Adult Education, District No. 9	74,165,000	37.91	28,115,952
County of Milwaukee	436,007,238	46.32	201,958,553
Milwaukee Metropolitan Sewerage District ⁽²⁾	<u>675,874,125</u>	48.93	<u>330,705,209</u>
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$1,811,756,363</u></u>		<u><u>\$1,186,489,714</u></u>

(1) Includes \$129,435,834 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

(2) Includes \$390,539,125 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

The City has \$186,798,568 authorized unissued general obligation debt for various corporate and capital improvement purposes, of which \$13,703,500 may be issued as Sewerage Revenue bonds. The debt can be issued at any time. The 2005 Budget also provides for up to \$300,000,000 of revenue anticipation borrowings, of which \$248,000,000 has been issued and is outstanding. The remaining balance of revenue anticipation borrowings can be issued at any time, but are not anticipated to be issued before the authority expires on December 31, 2005. See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

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 the City financed economic development projects and foster the same development objectives,

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 31, 2004, the outstanding balance was \$13,745,000.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds. As of December 31, 2004, total outstanding Sewerage System Revenue Bonds was \$60,945,000 with a final maturity in 2023.

Industrial Revenue Bonding Program — The City has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are 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 December 1, 2004 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$12 million are still outstanding.

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

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

Since its creation, the Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Authority, 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, 2004, the Authority has sold 99 separate issues in the total principal amount of approximately \$935 million. As December 31, 2004 there remained approximately \$551 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 the Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power; there are certain issues which involve contingent liabilities of the Authority and/or the City.

As of December 31, 2004, the Authority had outstanding: one bond issue with \$1,715,000 outstanding secured by a lease with the City; two bond issues with \$41,740,000 outstanding that have a Moral Obligation Pledge of the City; and \$291,684,122 in five bond issues for MPS, one secured by a lease, and four secured by loan agreements, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

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

Milwaukee Economic Development Corporation — As of December 31, 2004, the Milwaukee Economic Development Corporation funded loans for 899 small businesses and redevelopment projects utilizing \$163 million to leverage a total of \$807.3 million in investment. 603 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$19.2 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, 2004.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID"). The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such Districts through the issuance of its general obligation bonds. As of May 1, 2005, \$113,464,415 general obligation bonds for TID purposes was outstanding. Under current laws, tax increments received by the City 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 Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the moral obligation of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2005 Assessed Tax Rate for Milwaukee Public Schools is \$8.17 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced, and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TIDs cash flow deficiencies with other City revenues. In connection with the change in the school aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs (which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension). Extensions are available under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the 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 IMPROVEMENT PLAN

The City's 2004-2009 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs, together with proposed financing. School purpose

improvements are financed by the City for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,153 million. About \$986 million or 85 percent of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 15 percent is for expansion purposes. In addition, the City has historically provided \$12 million per year towards capital improvements for the Milwaukee Public Schools (school purpose borrowing) for a six-year total CIP of \$1,225 million.

Surface transportation accounts for approximately 26% of the CIP, or about \$294 million. 26% (\$300 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$141 million of capital spending (12%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 36 percent (\$418 million) is planned for general governmental, health & safety, grant and aid, culture and recreation purposes. All \$12 million of annual school spending is dedicated to deferred maintenance, repairs and remodeling projects, including \$2 million per year of Americans with Disabilities Act (ADA) accessibility projects.

The portion of the \$1,153 million six-year CIP to be financed by the property tax levy totals about \$539 million (47%). This in turn is composed of direct tax levy funding of \$104 million (9%) and tax levy supported debt financing of \$435 million (38%). Cash revenues including Federal and State grants, developer financing and other sources, total \$235 million (20%) of planned CIP spending. An additional \$78 million (7%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining \$301 million (26%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the \$12 million per year of school purpose borrowing, \$10 million is typically tax levy supported debt, and \$2 million is ADA reimbursable debt.

The Adopted 2005 Capital Improvements Budget totals \$205 million compared to a 2004 Budget of \$216 million. These amounts include the \$12 million per year of school purpose borrowing. Major categories include \$99 million of public works projects (streets, buildings, etc.), \$42 million of water and sewer projects, and \$27 million of economic development projects.

ADOPTED BUDGET – COMBINED REVENUES – 2005

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	TOTAL
Taxes						
Property Tax – General	\$93,839,022	1,000,000	\$52,941,522	\$10,119,425		\$157,899,969
Provision for Empl Retirement	40,091,374	—	—	—		40,091,374
Common Council Contingent Fund	5,000,000					5,000,000
Total	\$138,930,396	\$1,000,000	\$52,941,522	\$10,119,425	\$0	\$202,991,343
Revenues						
Taxes	12,559,200	—	—	—	—	12,559,200
Licenses and Permits	10,230,550	—	—	—	—	10,230,550
Intergovernmental Revenues	272,544,100	81,360,664	—	—	—	353,904,764
Charges for Service	84,676,839	—	—	—	—	84,676,839
Fines and Forfeitures	5,213,000	—	—	—	—	5,213,000
Miscellaneous Revenues	25,555,695	9,500,000	—	—	15,210,000	50,265,695
Cost Recovery	10,000	—	—	—	—	10,000
Fringe benefits	16,739,500	—	—	—	—	16,739,500
Solid Waste Fund	—	—	—	—	—	—
Parking	—	—	—	—	21,363,369	21,363,369
Water Works	—	—	—	—	78,624,322	78,624,322
Sewer	—	—	—	—	31,426,441	31,426,441
Maintenance Fund	—	—	—	—	—	—
Retained Earnings	—	—	—	—	33,806,229	33,806,229
Sinking Fund	—	—	69,770,143	—	—	69,770,143
Special Assessments	—	5,388,818	—	3,895,050	—	9,283,868
Capital Revenue	—	—	—	14,200,000	—	14,200,000
Total	\$427,528,884	\$96,249,482	\$69,770,143	\$18,095,050	\$180,430,361	\$792,073,920
Tax Stabilization						
Transfer from Reserves	16,621,000	—	—	—	—	16,621,000
Sale of Bonds and Notes						
Bonds and Notes				66,667,446	23,906,000	90,573,446
Grand Total	\$583,080,280	\$97,249,482	\$122,711,665	\$94,881,921	\$204,336,361	\$1,102,259,709

(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 – 2005

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	TOTAL
Administration, Dept of	\$7,171,555	—	—	—	—	\$7,171,555
Assessor's Office	4,139,804	—	—	—	—	4,139,804
City Attorney	6,185,158	—	—	—	—	6,185,158
City Treasurer	2,707,895	—	—	232,160	—	2,940,055
Common Council — Clerk	7,097,667	—	—	—	—	7,097,667
Municipal Court	3,120,575	—	—	—	—	3,120,575
Comptroller	6,140,809	—	—	—	—	6,140,809
Dept of City Development	3,219,144	—	—	26,650,000	—	29,869,144
Election Commission	1,090,490	—	—	—	—	1,090,490
Employee Relations, Dept of	5,188,291	—	—	—	—	5,188,291
Fire Department	88,404,023	—	—	5,060,000	—	93,464,023
Fire and Police Commission	—	—	—	—	—	—
Health Department	12,565,109	—	—	1,028,500	—	13,593,609
Library Board	20,627,107	—	—	1,700,000	—	22,327,107
Mayor's Office	1,050,410	—	—	—	—	1,050,410
Neighborhood Services	12,945,618	—	—	—	—	12,945,618
Police Department	185,962,917	—	—	2,400,000	—	188,362,917
Port of Milwaukee	3,557,378	—	—	725,000	—	4,282,378
Public Debt Commission	—	—	—	—	—	—
DPW-Administration	4,610,376	—	—	625,000	—	5,235,376
DPW-Infrastructure	21,482,735	—	—	20,962,463	—	42,445,198
DPW-Operations	71,264,031	—	—	25,173,798	—	96,437,829
Water Works	—	—	—	—	102,222,241	102,222,241
Sewer Maintenance Fund	—	—	—	—	54,529,316	54,529,316
Special Purpose Accounts	140,531,639	—	—	—	—	140,531,639
Pension Funds	64,688,277	—	—	—	—	64,688,277
Debt Service — City	—	—	107,075,114	—	—	107,075,114
Debt Service — Schools	—	—	15,636,551	—	—	15,636,551
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	10,500,000	—	—	—	10,500,000
Parking	—	—	—	—	47,584,804	47,584,804
Grant & Aid Fund	—	81,360,664	—	—	—	81,360,664
Special Capital Projects	—	—	—	10,325,000	—	10,325,000
Economic Development	—	5,388,818	—	—	—	5,388,818
Fringe Benefit Offset ⁽¹⁾	(95,670,728)	—	—	—	—	(95,670,728)
Grand Total	\$583,080,280	\$97,249,482	\$122,711,665	\$94,881,921	\$204,336,361	\$1,102,259,709

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

BUDGETARY COMPARISON SCHEDULE—GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 1999 THROUGH 2004
(Thousands of Dollars)

REVENUES:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Property Taxes	\$98,456	\$118,804	\$114,096	\$126,749	\$129,120
Other Taxes	12,808	12,688	2,944	4,318	3,563
Licenses and Permits	10,154	10,485	10,814	10,883	11,530
Intergovernmental	278,434	278,969	283,068	284,565	273,865
Charges for Services	45,383	54,594	57,749	55,714	60,825
Fines and Forfeitures	18,036	4,408	5,210	6,115	5,647
Other	<u>14,358</u>	<u>12,408</u>	<u>8,706</u>	<u>7,814</u>	<u>8,108</u>
TOTAL GENERAL FUND REVENUES	<u>\$477,629</u>	<u>\$492,356</u>	<u>\$482,587</u>	<u>\$496,158</u>	<u>\$492,658</u>
Tax Stabilization Fund Withdrawals	11,250	5,500	11,000	9,300	16,870
Other Financing Sources and Equity Transfers (Net)	<u>18,647</u>	<u>24,324</u>	<u>29,681</u>	<u>32,791</u>	<u>34,913</u>
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>\$507,526</u>	<u>\$522,180</u>	<u>\$523,268</u>	<u>\$538,249</u>	<u>\$544,441</u>
EXPENDITURES:					
General Government	\$157,15	\$162,628	\$158,645	\$165,270	179,542
Public Safety	220,879	209,521	211,163	239,698	231,371
Public Works	100,696	87,453	88,094	86,335	89,562
Health	11,363	11,237	10,552	10,677	10,724
Culture and Recreation	17,584	16,948	18,791	17,165	17,822
Conservation and Development	<u>7,502</u>	<u>7,922</u>	<u>7,857</u>	<u>3,833</u>	<u>3,495</u>
TOTAL EXPENDITURES	<u>\$515,639</u>	<u>\$49,709</u>	<u>\$495,102</u>	<u>\$522,978</u>	<u>\$532,516</u>
SOURCES OVER (UNDER) EXPENDITURES					
Fund Balance-January 1 (excludes reserved for use during the year)	(\$8,113)	\$26,471	\$28,166	\$15,271	11,925
Net Residual Equity Transfers	<u>(7)</u>	<u>1,908</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance – December 31	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>	<u>\$87,036</u>
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	\$8,886	\$22,460	\$46,585	\$33,000	30,288
Reserved for Inventory	6,014	5,678	5,801	5,190	5,684
Reserved for Mortgage Trust	281	281	276	276	282
Reserved for Environmental Remediation	304	303	303	303	303
Reserved for Next Year's Budget	5,500	11,000	9,300	16,870	16,621
Reserved for Subsequent Years' Budget	<u>25,980</u>	<u>29,122</u>	<u>33,745</u>	<u>36,342</u>	<u>33,858</u>
TOTAL FUND BALANCE	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>	<u>\$87,036</u>

YEAR 2004 GENERAL FUND RESULTS (BUDGET BASIS)

Please see the appendices for audited financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves, on a budget basis, totaled \$50.5 million at the end of 2004, or about 8.7 percent of 2005 General Fund expenditures. This compares to \$53.2 million (9.3% of expenditures) at December 31, 2003. Total Fund balance at December 31, 2004 is \$87.0 million compared to \$92.0 million at December 31, 2003.

Overall, General Fund Revenues and Other Sources for 2004 exceeded expenditures by \$11.9 million, or 2.2 percent.

Total Revenues and Other Sources increased by \$6.2 million (1.2%) in 2004. Increases include: \$7.6 million in tax stabilization fund withdrawals, \$5.1 million in charges for service, \$2.4 million in property taxes, \$2.1 million in other financing sources and net equity transfers, \$0.6 in licenses and permits, and \$0.3 million in other revenues. Decreases in revenues include: \$10.7 million in intergovernmental revenues, \$0.8 million in other taxes, and \$0.5 million in fines and forfeitures.

Total General Fund Expenditures increased by \$9.5 million (1.8%) in 2004. The major increase was \$14.3 million in general government. The primary causes of the increase was healthcare costs and _____. Other increases were \$3.2 million for public works, and \$0.7 million for culture and recreation. Expenditures declined for public safety by \$8.3 million, and conservation and development by \$0.4 million.

Regarding the components of General Fund Balance, the major changes were a \$2.7 million decline in reserved for encumbrances & carryovers, and a \$2.5 million decline in reserved for subsequent year's budget. Other changes were a \$0.5 million increase in inventory, and a \$0.3 million decrease in reserved for next year's budget.

Since 2000, General Fund Revenues and Other Sources have grown at an average of about 1.8 percent annually. Intergovernmental Aids remain the major funding source for the General Fund providing 50 percent of total sources. This compares to 55 percent in 2000. Property taxes comprised about 24 percent of total sources in 2005 versus 19 percent in 2000.

General Fund expenditures have grown at an average 0.8 percent annually since 2000. Because of large retroactive wage settlements every 2 years (see "The City—Employee Relations") it is difficult to make year-over-year comparisons. Over the past 5 years, the two largest categories, General Government and Public Safety have grown an average of 3.3% and 1.2% per year respectively. General Government has grown from 31% of General fund expenditures in 2000 to 34% in 2004. Public Safety has fluctuated, but remains about 43% of General Fund expenditures in 2000 and 2004.

Regarding changes in General Fund Equity, the amount reserved for subsequent years' budget has grown from \$26.0 million in 2000 to \$33.9 million in 2004.

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

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

<u>REAL PROPERTY</u>	<u>YEAR 2000 FOR 2001 PURPOSES</u>	<u>YEAR 2001 FOR 2002 PURPOSES</u>	<u>YEAR 2002 FOR 2003 PURPOSES</u>	<u>YEARS 2003 FOR 2004 PURPOSES</u>	<u>YEAR 2004 FOR 2005 PURPOSES</u>
Residential	\$10,292,622,989	\$10,358,670,619	\$12,027,394,755	\$12,938,633,380	\$14,301,661,916
Industrial (Manufacturing)	741,471,600	717,830,700	765,130,300	729,858,200	733,599,500
Mercantile (Commercial)	5,612,521,788	5,716,180,475	6,176,332,500	6,493,804,441	6,903,490,064
Total Real Property	\$16,646,616,377	\$16,792,681,794	\$18,968,857,555	\$20,162,296,021	\$21,938,751,480
Personal Property	936,378,220	907,102,600	897,397,660	847,221,220	833,668,020
Total Assessed Valuations	\$17,582,994,597	\$17,699,784,394	\$19,866,255,215	\$21,009,517,241	\$22,772,419,500
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	\$17,344,251,400	\$19,453,830,200	\$20,275,936,700	\$21,730,754,000	\$23,491,773,700
Ratio of Assessed to Equalized Valuation	101.40%	91.00%	98.00%	96.68%	96.94%

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Unit of Government					
City Government ⁽¹⁾	\$10.49	\$10.87	\$10.15	\$9.73	\$9.19
Milwaukee Public Schools	9.87	10.12	9.34	8.96	9.40
Milwaukee County	5.66	6.13	5.40	5.15	4.91
Milwaukee Area Technical College	2.00	2.23	2.05	2.04	2.00
Milwaukee Metropolitan Sewerage District	1.68	1.87	1.74	1.64	1.59
Gross Tax Rate Per \$1,000	\$29.70	\$31.22	\$28.68	\$27.52	\$27.09
Less: State Tax Credit	1.69	1.66	1.43	1.35	1.23
Net Tax Rate	<u>\$28.01</u>	<u>\$29.56</u>	<u>\$27.25</u>	<u>\$26.17</u>	<u>\$25.86</u>

(1) Includes School Debt Service (\$0.59 in 2005).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS ⁽¹⁾
(THOUSANDS OF DOLLARS)**

COLLECTION YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTION		DELINQUENT TAX COLLECTIONS ⁽²⁾	TOTAL TAX COLLECTIONS		OUTSTANDING DELINQUENT TAXES
		AMOUNT	% OF LEVY		AMOUNT	% OF LEVY	
2000	\$324,794	\$311,022	95.760%	\$11,288	\$322,310	99.236%	\$24,053
2001	368,371	355,575	96.526	14,805	370,380	100.545	22,043
2002	382,873	369,125	96.409	13,926	383,051	100.046	21,865
2003	398,220	383,064	96.194	12,401	395,465	99.308	24,620
2004	404,892	390,930	96.552	14,676	405,606	100.177	23,905

(1) Includes overlapping portion from all taxing bodies. City portion is approximately 35% of the dollar amounts shown.

(2) Includes amounts from any prior year collected in that year.

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 Chapter 74 of the Wisconsin Statutes, as supplemented and amended, interest at the rate of one percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

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

Taxes are foreclosed under Section 75.521 of the Wisconsin Statutes, as supplemented and amended, 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 2004 were approximately 97.59 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.

PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

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

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals approximately 12,200 active and 3,550 vested, inactive members at December 31, 2004. There were approximately 10,700 retirees and beneficiaries receiving benefits as of December 31, 2004.

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, 2004, the latest year for which audited figures are available, required member contributions totaled \$31 million and required employer contributions totaled \$46,000. Approximately 73% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.275 billion with a corresponding market value of \$4.345 billion or 133% of the original cost at December 31, 2004.

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 latest actuarial valuation was as of January 1, 2005. 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 \$4.113 billion as of January 1, 2005 and an Actuarial Accrued Liability of \$3.523 billion as of that date. This results in a Funded Ratio of 116.7%.

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 then 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 July 29, 1947. At January 31, 2005 there were no active members and approximately 193 retired members or survivors receiving payment.

Current funding is derived from employer contributions. There is an unfunded past service liability for the Policemen's Annuity and Benefit fund at year-end 2004 in the amount of \$1,930,535 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated December 31, 2004.

Assets of the Policemen's Annuity and Benefit Fund at December 31, 2004, totaled \$5,281,524 per Actuary Gucciardi Benefit Resources report of December 31, 2004.

In May 2005, the Board of the Policemen's Annuity benefit Fund approved an increase in benefits effective January 2006. The proposal has been sent to the Common Council for approval. If approved as proposed, the increase in benefits will increase the unfunded past service liability by an estimated \$600,000. The proposed also includes provisions to extend the amortization period of unfunded past service liability from 5 years to 10 years.

INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

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

The State of Wisconsin Investment Board ("*SWIB*") provides the Local Government Investment Pool 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.

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 January 31, 2005, the City had approximately 29.7% (\$148.6 million) of its and MPS's investments deposited in the Local Government Investment Pool.

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, Wisconsin 53707-7842.

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

APPENDIX C

STATE STREET BANK AND TRUST COMPANY

State Street Bank and Trust Company (the “*Liquidity Facility Provider*”) is a wholly-owned subsidiary of State Street Corporation (the “*Corporation*”). The Corporation (NYSE: STT) is the world’s leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With \$9.5 trillion in assets under custody and \$1.4 trillion in assets under management, the Corporation operates in 25 countries and more than 100 markets worldwide. The assets of the Liquidity Facility Provider at December 31, 2004, accounted for approximately 96% of the consolidated assets of the Corporation. At December 31, 2004, the Corporation had total assets of \$94.040 billion, total deposits (including deposits in foreign offices) of \$55.129 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$4.611 billion and total equity capital of \$6.159 billion.

The Liquidity Facility Provider’s Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2004, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this APPENDIX C, and shall be deemed to be a part of this APPENDIX C.

In addition, all reports filed by the Liquidity Facility Provider for its years ended December 31 pursuant to 12 U.S.C. §324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and the Liquidity Facility Provider is set forth in the Corporation’s Annual Report or Form 10-K for the year ended December 31, 2004. The annual report can be found on the Corporation’s web site, www.statestreet.com. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The [Standby Bond Purchase Agreement] is an obligation of the Liquidity Facility Provider and not of the Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Liquidity Facility Provider hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither the Liquidity Facility Provider nor its affiliates make any representation as to the contents of this Official Statement (except as to the caption, "LIQUIDITY FACILITY PROVIDER," and this APPENDIX C to the extent it relates to the Liquidity Facility Provider), the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

APPENDIX D

DEFINITIONS; SUMMARY OF THE INDENTURE

DEFINITIONS

The following definitions shall apply to terms used in the Indenture and this Official Statement unless the context clearly requires otherwise:

“*Adjustable Interest Rate*” means any of the following types of interest rates: an Auction Rate, a Daily Interest Rate, a Weekly Interest Rate, a Bond Interest Term Rate and a Long Term Interest Rate.

“*Auction Agent*” has the meaning set forth in *Exhibit B* to the Indenture.

“*Auction Rate*” has the meaning set forth in *Exhibit B* to the Indenture.

“*Auction Rate Period*” has the meaning set forth in *Exhibit B* to the Indenture.

“*Authorized Denominations*” means for a Bond in a Mode, \$5,000 or any integral multiple thereof, unless otherwise specified in the Exhibit defining the Mode.

“*Bond Counsel*” means a law firm of national standing in the field of public finance selected by the City.

“*Bond Interest Term*” means, with respect to a Bond bearing interest at the Bond Term Interest Rate, each period established in accordance with *Exhibit E* of the Indenture during which such Bond bears interest at a Bond Interest Term Rate.

“*Bond Interest Term Rate*” means, with respect to a Bond, a term, non-variable interest rate on such Bond established periodically in accordance with *Exhibit E* of the Indenture.

“*Bond Year*” means for the Bonds, the one-year period commencing each _____ 1, except for the initial Bond Year which shall commence on the date of the issuance of the Bonds and shall end on _____, 2006.

“*Bonds*” means the Bonds authorized to be issued pursuant to the Indenture or any Tranche of such Bonds as the context may dictate.

“*Book Entry Bonds*” means the Bonds held by DTC (or its nominee) as the Registered Owner thereof pursuant to the terms and provisions of the Indenture.

“*Broker-Dealer*” has the meaning set forth in *Exhibit B* of the Indenture.

“*Broker-Dealer Agreement*” has the meaning set forth in *Exhibit B* of the Indenture.

“*Business Day*” means a day (a) other than a Saturday, a Sunday or the Friday after Thanksgiving Day; (b) on which banks located in New York City or the city in which the Corporate

Trust Office is located are not required or authorized to be closed; (c) on which the New York Stock Exchange is not closed; or (d) with respect to any Bonds, on which banks located in the cities in which the principal office or payment office of any Remarketing Agent, Letter of Credit Bank, Liquidity Provider or Broker-Dealer for such Bonds is not required or authorized to be closed.

“*Cede & Co.*” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“*Code*” means the Internal Revenue Code of 1986, as amended, including regulations, rulings and judicial decisions promulgated thereunder.

“*Continuing Disclosure Agreement*” means the Master Continuing Disclosure Certificate entered into by the City, as supplemented and amended, in order to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12(b)(5).

“*Conversion*” means a conversion of the Bonds or a Tranche thereof from one Mode to another as provided in the Indenture and in *Exhibits B, C, D, E, F* and *G* attached thereto. The establishment of a new Long Term Interest Rate Period upon the expiration of the previous Long Term Interest Rate Period shall be considered a Conversion.

“*Conversion Date*” means the effective date of a Conversion of the Bonds.

“*Corporate Trust Office*” means with respect to the Trustee its corporate trust agency office situated in Dallas, Texas. The Trustee may hereafter designate alternate Corporate Trust Offices and any successor Trustee shall designate its Corporate Trust Office by written notice delivered to the Notice Parties.

“*Daily Interest Rate*” means, with respect to any Bond, the variable interest rate on such Bond established periodically in accordance with *Exhibit C* of the Indenture.

“*Daily Interest Rate Period*” means, with respect to any Bonds bearing the Daily Interest Rate, each period established in accordance with *Exhibit C* of the Indenture during which a Daily Interest Rate is in effect for such Bond.

“*Debt Service Fund*” means the Debt Service Fund created under Section 67.11, Wisconsin Statutes, as the same may from time to time be amended.

“*DTC*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Eligible Bonds*” means any Outstanding Bonds, excluding any Bonds owned by or on behalf of the City or Bank Bonds.

“*Favorable Opinion of Bond Counsel*” means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel to the effect that such action is permitted under the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of

any exception contained in the opinion delivered upon the original issuance of such Bonds), subject to the Indenture.

“*Fitch*” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any nationally recognized rating agency designated in writing by the City.

“*Fixed Interest Rate*” means, with respect to any Bond, an annual rate of interest payable with respect to such Bond from and after the Fixed Interest Rate Date upon Conversion to a Fixed Interest Rate, established by the Remarketing Agent pursuant to *Exhibit G* of the Indenture.

“*Fixed Interest Rate Date*” means, with respect to a Bond bearing interest at a Fixed Interest Rate, the date on which the annual rate of interest with respect to such Bond becomes fixed and determined for the remainder of the term of the Bond, pursuant to *Exhibit G* of the Indenture.

“*Fixed Interest Rate Period*” means, with respect to a Bond bearing interest at a Fixed Interest Rate, the period during which such Bond bears interest at a Fixed Interest Rate for such Bond.

“*Interest Payment Date*” means:

- (a) with respect to the Bonds the interest payment date as defined in the Exhibit of the Indenture specifying the mode; and
- (b) the Maturity Date.

“*Interest Rate Period*” means each Daily Interest Rate Period, Weekly Interest Rate Period, Short Term Interest Rate Period, Long Term Interest Rate Period, Auction Rate Period or Fixed Interest Rate Period. The length of each Interest Rate Period shall be open ended until the City declares otherwise, unless specifically stated otherwise in the respective Exhibits relating to the Modes.

“*Indenture*” means the Trust Indenture dated as of November 1, 2005 between the City and the Trustee.

“*Liquidity Facility*” means any letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by a Liquidity Facility Provider to provide liquidity support to pay the purchase price of Bonds (except where liquidity is not required as provided herein) tendered for purchase in accordance with the provisions of the Indenture and any Alternate Liquidity Facility delivered pursuant to the Indenture and with terms that are not inconsistent with the terms of the Indenture.

“*Liquidity Facility Provider*” means any provider of a Liquidity Facility, and its successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns.

“*Long Term Interest Rate*” means, with respect to a Bond, a term, non-variable interest rate established in accordance with *Exhibit F* of the Indenture.

“*Long Term Interest Rate Period*” means, with respect to a Bond bearing interest at a Long Term Interest Rate, each period during which a Long Term Interest Rate is in effect for such Bond.

“*Mandatory Purchase Date*” means any date upon which any Bonds have been called for mandatory tender for purchase in accordance with the Indenture.

“*Maturity Date*” means February 15, 2025.

“*Maximum Auction Rate*” has the meaning set forth in *Exhibit B* of the Indenture.

“*Maximum Interest Rate*” means the lesser of (a) the rate of 10% per annum calculated in the same manner as interest is calculated for the particular interest rate on the Bonds and (b) the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“*Mode*” means any one of the methods by which a Bond may bear interest as described in *Exhibits B, C, D, E, F* and *G* of the Indenture.

“*Moody’s*” shall mean Moody’s Investors Service, Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“*Nominee*” means the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant hereto.

“*Notice Parties*” means the City, the Trustee, each Remarketing Agent, if any, the Letter of Credit Bank, if any, the Liquidity Facility Provider, if any, the Auction Agent, if any, and each Broker-Dealer, if any.

“*Outstanding*” means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Trustee hereunder, except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such date;
- (ii) Bonds in lieu of which others have been issued under the Indenture;
- (iii) Untendered Bonds to the extent that there is on deposit with the Trustee on the date purchase thereof is required as provided herein an amount to pay the purchase price thereof; and

(iv) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Owners of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the City; *provided, however*, that for the purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being Outstanding only Bonds known by the Trustee by actual notice thereof to be so held.

“*Participant*” means those broker-dealers, banks and other financial institutions for which the Securities Depository holds Bond certificates as securities depository.

“*Paying Agent*” for purposes of the Indenture, means the Trustee, or any other Person or institution appointed by the City as paying agent with respect to the Bonds.

“*Payment Date*” means each Interest Payment Date or any other date on which any principal of, premium, if any, purchase price, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds.

“*Prevailing Market Conditions*” means, to the extent relevant (in the professional judgment of the Remarketing Agent) at the time of establishment of a rate or rates for the Bonds or a Tranche thereof by the Remarketing Agent as provided herein, (a) interest rates on comparable securities then being issued and traded; (b) other financial market rates and indices that may have a bearing on rates of interest; (c) general financial market conditions (including then current forward supply figures) that may have a bearing on rates of interest; and (d) the financial condition, results of operation and credit standing of the City, the applicable Letter of Credit Bank and/or the applicable Liquidity Facility Provider to the extent such standing has a bearing on rates of interest.

“*Rating Agency*” means Fitch when the Bonds are rated by Fitch, Moody’s when the Bonds are rated by Moody’s and S&P when the Bonds are rated by S&P.

“*Record Date*” means (a) with respect to any Interest Payment Date during a Daily Interest Rate Period, a Weekly Interest Rate Period, any Short Term Interest Rate Period or an Auction Rate Period, the Business Day immediately preceding such Interest Payment Date; and (b) with respect to any Interest Payment Date during a Long Term Interest Rate Period or a Fixed Interest Rate Period, the fifteenth day of the calendar month immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long Term Interest Rate Period or Fixed Interest Rate Period, that first day.

“*Redemption Date*” means the date fixed for an optional or mandatory redemption prior to maturity of the Bonds.

“*Registrar*” means, for purposes of the Indenture, the Trustee.

“*Registered Owner*” means a Person in whose name a Bond is registered in the books of registry.

“*Remarketing Agent*” means the remarketing agent appointed in connection with the remarketing of Bonds pursuant to the provisions of the Indenture.

“*Remarketing Agent Agreement*” means any Remarketing Agreement between the City and the Remarketing Agent, as amended and supplemented from time to time.

“*S&P*” shall mean Standard & Poor’s Ratings Service, a Division of the McGraw-Hill Companies, Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“*Securities Act*” means the federal Securities Act of 1933, as amended, and any successor thereto.

“*Securities Depository*” means DTC and its successors and assigns or any other securities depository appointed by the City pursuant to the Indenture.

“*Securities Exchange Act*” means the federal Securities Exchange Act of 1934, as amended, and any successor thereto.

“*Short Term Interest Rate Period*” means each period, consisting of Bond Interest Terms, during which any Bond bears interest at one or more Bond Interest Term Rates.

“*Sinking Fund Installments*” means, with respect to the Bonds, the amount or amounts required to be deposited in the Debt Service Fund in order to periodically redeem Bonds as provided herein.

“*State*” means the State of Wisconsin.

“*Tax Compliance Certificate*” means the arbitrage and use of proceeds certificate executed and delivered by the City at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Tranche*” means the designated portion of Bonds sharing a similar Interest Rate Period in the same Mode.

“*Trustee*” means J.P. Morgan Trust Company, National Association, as trustee appointed pursuant hereto, and any successor trustee appointed under the Indenture.

“*Undelivered Bond*” means any Bond which constitutes an Undelivered Bond under the provisions of the Indenture.

“*Underwriter*” means Banc of America Securities LLC.

“*Weekly Interest Rate*” means, with respect to any Bond, a variable interest rate on such Bond established in accordance with *Exhibit D* of the Indenture.

“*Weekly Interest Rate Period*” means, with respect to any Bond bearing interest at a Weekly Interest Rate, each period during which a Weekly Interest Rate is in effect for such Bond.

APPLICATION OF PROCEEDS; ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Application of Proceeds. The City hereby directs that the proceeds of sale of the Bonds, net of Underwriter's discount and costs of issuance of the Bonds as disclosed to the Trustee in writing, shall be deposited in the City's Capital Projects Fund.

Debt Service Account. A separate account shall be created in the Debt Service Fund for the Bonds to be held by the Trustee and designated as the "Debt Service Account – Variable Rate General Obligation Corporate Purpose Bonds, Series 2005 V8" (the "*Series 2005 V8 Debt Service Account*"). The Trustee shall deposit into the Series 2005 V8 Debt Service Account all payments hereafter made by the City pursuant to the Indenture hereof to be applied (1) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemption of Bonds, and to the payment, when due, of the principal of or redemption price of the Bonds then payable at maturity or upon redemption.

Remarketing Reimbursement Fund and Accounts. A separate fund and related accounts to be held by the Trustee shall be created at the time any Bonds bear interest at an Adjustable Interest Rate (except an Auction Rate) and designated as the "Remarketing Reimbursement Fund" (the "*Remarketing Reimbursement Fund*") and therein separate accounts for such Bonds. Within the Remarketing Reimbursement Fund, there shall be created an account designated the "Remarketing Proceeds Account" (the "*Remarketing Proceeds Account*"), an account designated the "Letter of Credit and Liquidity Facility Account" (the "*Letter of Credit and Liquidity Facility Account*") and an account designated the "City Account" (the "*City Account*"). The Trustee shall deposit into the City Account all payments hereafter made by the City for deposit in the City Account pursuant to the Indenture. The Remarketing Reimbursement Fund shall not be considered a part of the security for the Bonds but shall be used solely in connection with the remarketing of Bonds. Any moneys deposited to the Remarketing Reimbursement Fund shall be held without liability for interest and without investment or commingling thereof. Except as otherwise provided herein, neither the City nor the Trustee shall grant any lien or encumbrance to any Person on the moneys deposited in the Remarketing Reimbursement Fund received from a drawing on a Letter of Credit or a Liquidity Facility, as the case may be, or amounts received from a remarketing of the Bonds.

Demand for Purchase of Bonds under a Liquidity Facility. In the event there is a Liquidity Facility in effect instead of a Letter of Credit with respect to the Bonds, by 10:30 a.m., New York City time (or such other time as may be agreed to between the City and the Liquidity Facility Provider), on the tender date for the Bonds, the Trustee is hereby directed to notify the Liquidity Facility Provider as to the aggregate purchase price of the applicable tendered Bonds required to be purchased by the Liquidity Facility Provider and to make a demand for purchase of such Bonds under the Liquidity Facility in accordance with the terms of the Liquidity Facility, such that the Trustee will have amounts sufficient to pay the purchase price plus accrued interest, if any, of the Bonds to be tendered by no later than 2:30 p.m., New York City time (or such other time as may be agreed to between the City and the Liquidity Facility Provider). Upon the receipt of amounts payable under the Liquidity Facility, the Trustee shall deposit such purchase price in the Liquidity Facility Account in the Remarketing Reimbursement Fund. In determining the amount of any such purchase price then due, the Trustee shall not take into consideration any purchase price due on the Bonds registered in the name of the City or the Liquidity Facility Provider or any affiliate of the City or the Liquidity Facility Provider to the extent identified to the Trustee and no demand for purchase under the Liquidity Facility shall be made to pay the purchase price of any Bonds, registered in the name of the City or the

Liquidity Facility Provider or any affiliate of the City or the Liquidity Facility Provider to the extent identified to the Trustee. By 3:00 p.m., New York City time (or such other time as may be agreed to between the City and the Liquidity Facility Provider), the Trustee shall purchase the applicable tendered Bonds and immediately remit to the Liquidity Facility Provider such funds in the Liquidity Facility Account of the Remarketing Reimbursement Fund which were not used to purchase the Bonds tendered.

REMARKETING AGENT

Remarketing Agent for Bonds. The City shall appoint a Remarketing Agent for the Bonds, subject to the conditions set forth in the following paragraph, at the time the Bonds are initially issued or are converted to an Adjustable Interest Rate (except an Auction Rate) or a Fixed Interest Rate (if necessary). Each Remarketing Agent shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the City, the Trustee, and any Letter of Credit Bank or Liquidity Facility Provider, as the case may be, under which the Remarketing Agent will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City, the Trustee, and the Letter of Credit Bank or the Liquidity Facility Provider, as the case may be, at all reasonable times.

Any Remarketing Agent appointed hereunder shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least \$75,000,000 (or such other amounts as may be agreed to by the City), and authorized by law to perform all the duties imposed upon the Remarketing Agent by the Indenture and the Remarketing Agreement. Any Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture and the Remarketing Agreement by giving notice to the Notice Parties. Such resignation takes effect only on the appointment of a successor Remarketing Agent by the City and the acceptance of such appointment by the successor Remarketing Agent. If no successor is appointed within sixty (60) days after the notice of resignation, the resigning Remarketing Agent may appoint a successor or at the City's expense petition any court of competent jurisdiction to appoint a successor. The successor Remarketing Agent must be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least \$75,000,000 (or such other amounts as may be agreed to by the City), and authorized by law to perform all the duties imposed upon the Remarketing Agent by the Indenture and the Remarketing Agreement. Any successor Remarketing Agent shall accept in writing its duties and responsibilities hereunder. The Remarketing Agent may be removed at any time by the City by written notice given by the City and delivered to the Notice Parties.

Remarketing of Bonds. No later than 3:00 p.m. New York City time, (a) on the eighth Business Day prior to each mandatory tender date while the Bonds bear interest at a Long Term Interest Rate, or (b) the sixth calendar day prior to each mandatory tender date or the next succeeding Business Day if such sixth day is not a Business Day while any Bonds bear interest at a Weekly Interest Rate, or (c) the fifth Business Day prior to each mandatory tender date while any Bonds bear interest at a Bond Interest Term Rate, the Trustee shall give notice to the Remarketing Agent by telephone or telecopy, confirmed on the same day in writing, which states the aggregate principal amount of any Bonds which are deemed to be tendered.

AMENDMENTS TO THE INDENTURE

The Indenture may be amended, at any time or from time to time, without the consent of the Owners of the Outstanding Bonds, (i) for the purpose of making changes in the provisions hereof relating to the characteristics and operational provisions of the Adjustable Interest Rates, (ii) in order to provide for and accommodate any Letter of Credit, any Alternate Letter of Credit, any Liquidity Facility or any Alternate Liquidity Facility, (iii) pursuant to written advice of Bond Counsel, in order to preserve the exemption from federal income taxation of the interest on the Bonds, and (iv) in connection with any changes in Adjustable Interest Rates with respect to the Bonds, for the purpose of making any changes with respect to the Adjustable Interest Rates as they affect the Bonds. Each such amendment shall become effective with respect to the Bonds on the change in an Adjustable Interest Rate next following the filing of a copy thereof with the Trustee, the Remarketing Agent, the Letter of Credit Bank and the Liquidity Facility Provider, together with a Favorable Opinion of Bond Counsel. No such amendment which is reasonably believed by the Trustee, the Remarketing Agent, the Letter of Credit Bank or the Liquidity Facility Provider to adversely affect its rights, immunities and duties hereunder shall be effective without the written consent thereto of the Trustee, the Remarketing Agent, the Letter of Credit Bank or the Liquidity Facility Provider, as the case may be. Without limitation of the foregoing, (x) any provision of the Indenture expressly recognizing or granting rights in or to the Letter of Credit Bank may not be amended in any manner which affects the rights of the Letter of Credit Bank hereunder without the prior written consent of the Letter of Credit Bank and (y) any provision of the Indenture expressly recognizing or granting rights in or to the Liquidity Facility Provider may not be amended in any manner which affects the rights of the Liquidity Facility Provider hereunder without the prior written consent of the Liquidity Facility Provider.

APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Re: \$25,000,000
City of Milwaukee, Wisconsin
Variable Rate General Obligation Corporate Purpose Bonds,
Series 2005 V8

Dear Sir:

At your request, we have examined into the validity of an issue of \$25,000,000 Variable Rate General Obligation Corporate Purpose Bonds, Series 2005 V8 (the “*Bonds*”), of the City of Milwaukee, Wisconsin (the “*City*”). Such Bonds may bear interest in an Auction Rate Mode, Daily Interest Rate Mode, Weekly Interest Rate Mode, Short Term Interest Rate Mode, Long Term Interest Rate Mode and Fixed Interest Rate Mode (collectively, “*Modes*”), which are defined in and subject to change from time to time among Modes in accordance with the Indenture (defined below) and are payable as to interest on the interest payment dates established with respect to each of the Modes established in the Indenture. Separate tranches of Bonds may bear interest in different Modes simultaneously in accordance with the Indenture. Unless and except as the context shall otherwise require, all terms used in this opinion which are defined in the Resolution (defined below) and the Indenture shall have the respective meanings given to them in the Resolution and the Indenture.

The Bonds shall be issued as fully registered bonds. The Bonds shall be issuable solely in Authorized Denominations as more specifically provided in the Indenture. The Bonds shall initially be issued in the Weekly Interest Mode and bear interest at the Weekly Interest Rate. The Bonds shall mature on February 15, 2025.

The Bonds are subject to optional redemption and mandatory sinking fund redemption as more specifically provided in the Indenture, upon notice thereof as provided therein. The Bonds are also subject to optional and mandatory purchase under certain circumstances as provided in the Indenture.

The Bonds recite that they are issued for the purpose of financing certain projects pursuant to and in all respects in compliance with Chapters 65 and 67 of the Wisconsin Statutes, and acts supplementary thereto, the Charter of the City, resolutions duly adopted by the Common Council of the City and the Commissioners of the Public Debt of the City, including particularly the Resolution duly adopted by such Council as of _____, 2005 (the “*Resolution*”) and the Trust Indenture dated as of November 1, 2005 between the City and J.P. Morgan Trust Company, National Association, as Trustee (the “*Indenture*”). We have examined the Constitution and statutes of the

State of Wisconsin, the Charter of the City, certified transcript of proceedings relating to the authorization and issuance of the Bonds and a specimen Bond. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

In our opinion, the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to judicial discretion, to the exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming compliance with certain tax covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Very truly yours,

APPENDIX F

MASTER CONTINUING DISCLOSURE CERTIFICATE

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

(5) “*GASB*” means the Governmental Accounting Standards Board.

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

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

(7) “*Material Event Notice*” means notice of a Material Event.

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

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

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

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

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

(13) “*SEC*” means the United States Securities and Exchange Commission.

(14) “*Security Holders*” means the holders from time to time of Offered Obligations.

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

(16) “*State*” means the State of Wisconsin.

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

(18) “*Underwriters*” means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II

THE UNDERTAKING

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

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

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

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

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

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

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

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual

Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

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

ARTICLE III

OPERATING RULES

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

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

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

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

ARTICLE IV

TERMINATION, AMENDMENT AND ENFORCEMENT

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

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

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from

a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to each NRMSIR and the SID.

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

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

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

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

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

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

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

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

CITY OF MILWAUKEE, WISCONSIN

ADDENDUM DESCRIBING NRMSIRs

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

REPOSITORIES AND CONTACT INFORMATION

Pursuant to the Securities and Exchange Commission interpretive letter to the Texas Municipal Advisory Council (the “*MAC*”) dated September 7, 2004, the Issuer elects to transmit filings to the MAC as provided at <http://www.disclosureusa.org> for submission to the NRMSIRs and any applicable SID.

Disclosure USA
www.disclosureusa.org

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2005.

CITY OF MILWAUKEE, WISCONSIN

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER**

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

Content of Annual Financial Information for Issuer:

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

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

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

CITY OF MILWAUKEE, WISCONSIN

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the “*Issuer*”) to supplement the Master Continuing Disclosure Certificate (the “*Certificate*”), executed and delivered by the Issuer and dated _____, 2005. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$25,000,000 General Obligation Corporate Purpose Bonds, Series 2005 A7

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issue:

_____, 2005

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this ___ day of _____, 2005.

CITY OF MILWAUKEE, WISCONSIN

ADOPTED BUDGET—COMBINED APPROPRIATIONS – 2005

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	TOTAL
Administration, Dept of	\$7,171,555	—	—	—	—	\$7,171,555
Assessor's Office	4,139,804	—	—	—	—	4,139,804
City Attorney	6,185,158	—	—	—	—	6,185,158
City Treasurer	2,707,895	—	—	232,160	—	2,940,055
Common Council — Clerk	7,097,667	—	—	—	—	7,097,667
Municipal Court	3,120,575	—	—	—	—	3,120,575
Comptroller	6,140,809	—	—	—	—	6,140,809
Dept of City Development	3,219,144	—	—	26,650,000	—	29,869,144
Election Commission	1,090,490	—	—	—	—	1,090,490
Employee Relations, Dept of	5,188,291	—	—	—	—	5,188,291
Fire Department	88,404,023	—	—	5,060,000	—	93,464,023
Fire and Police Commission	—	—	—	—	—	—
Health Department	12,565,109	—	—	1,028,500	—	13,593,609
Library Board	20,627,107	—	—	1,700,000	—	22,327,107
Mayor's Office	1,050,410	—	—	—	—	1,050,410
Neighborhood Services	12,945,618	—	—	—	—	12,945,618
Police Department	185,962,917	—	—	2,400,000	—	188,362,917
Port of Milwaukee	3,557,378	—	—	725,000	—	4,282,378
Public Debt Commission	—	—	—	—	—	—
DPW-Administration	4,610,376	—	—	625,000	—	5,235,376
DPW-Infrastructure	21,482,735	—	—	20,962,463	—	42,445,198
DPW-Operations	71,264,031	—	—	25,173,798	—	96,437,829
Water Works	—	—	—	—	102,222,241	102,222,241
Sewer Maintenance Fund	—	—	—	—	54,529,316	54,529,316
Special Purpose Accounts	140,531,639	—	—	—	—	140,531,639
Pension Funds	64,688,277	—	—	—	—	64,688,277
Debt Service — City	—	—	107,075,114	—	—	107,075,114
Debt Service — Schools	—	—	15,636,551	—	—	15,636,551
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	10,500,000	—	—	—	10,500,000
Parking	—	—	—	—	47,584,804	47,584,804
Grant & Aid Fund	—	81,360,664	—	—	—	81,360,664
Special Capital Projects	—	—	—	10,325,000	—	10,325,000
Economic Development	—	5,388,818	—	—	—	5,388,818
Fringe Benefit Offset ⁽¹⁾	(95,670,728)	—	—	—	—	(95,670,728)
Grand Total	\$583,080,280	\$97,249,482	\$122,711,665	\$94,881,921	\$204,336,361	\$1,102,259,709

(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.