NEW ISSUE **Ratings:** **"Aa2/P-1" Moody's**
"AA/A-1+" S&P See "RATINGS."

In the opinions of Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel, under existing law, if there is continuing compliance with certain provisions of the Internal Revenue Code of 1986, interest on the Series 2012 V10 Bonds will not be included in the gross income of the holders of the Series 2012 V10 Bonds for federal income tax purposes. Interest on the Series 2012 V10 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on individuals and corporation, although interest on the Series 2012 V10 Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinions of Katten Muchin Rosenman LLP and Hurtado, S.C., interest on the Series 2012 V10 Bonds is not exempt from income taxes of the State of Wisconsin. For a discussion of federal and state tax law statutes, see "TAX EXEMPTION" herein.

$15,000,000
CITY OF MILWAUKEE
General Obligation Corporate Purpose Multimodal Bonds
(initially offered as Rolling Tender Variable Rate Bonds)
Series 2012 V10

Dated: Date of Initial Delivery **Price: 100%** **CUSIP*: 602366 RG3** **Due: February 15, 2032**

The General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10 (the "Series 2012 V10 Bonds") will be issued by the City of Milwaukee (the "Issuer" or the "City") as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Series 2012 V10 Bonds are being issued initially as Rolling Tender Variable Rate Bonds ("RTVs") in the RTV Weekly Rate Period of the RTV Mode and will initially bear interest at the RTV Weekly Rate, all as described herein. All references in this Official Statement to the RTVs refer to the Series 2012 V10 Bonds while they are in the RTV Mode.

Principal and interest on the RTVs (payable on the first Business Day of each month) are payable to DTC by U.S. Bank National Association, as Trustee. See "BOOK-ENTRY ONLY SYSTEM."

The RTVs are subject to optional tender for purchase at any time on the seventh day (or if such seventh day is not a Business Day, on the first Business Day preceding such seventh day) following delivery of a tender notice by or on behalf of the applicable Bondowner (such date, the "Optional Purchase Date"), as described herein, provided that no purchase of an optionally tendered RTV shall be required if, as of the applicable Optional Purchase Date sufficient remarketing proceeds are not available for the purchase of such Bonds. If such RTVs are not remarketed or purchased as of the first Business Day of the month on or immediately following the applicable Optional Purchase Date, then such RTVs shall bear interest during each RTV Extension Period at the Extension Rate described herein. The RTVs are subject to mandatory tender on the applicable Extended Mandatory Purchase Date, any Business Day thereafter, on any applicable RTV Purchase Acceleration Date, on the effective date of any change to another Mode, and on the applicable Final Mandatory Purchase Date.

The RTVs are subject to optional redemption or purchase in lieu of redemption, in certain circumstances prior to maturity, as more fully described herein.

Individual purchases of beneficial ownership of the RTVs will be made in book-entry form, in the denominations of $100,000 or any integral multiple of $5,000 in excess thereof. No physical delivery of the Series 2012 V10 Bonds will be made to purchasers.

The Series 2012 V10 Bonds may be converted to and from the RTV Mode, the FRN Rate Mode and the Term Rate Mode, and may be converted to the Fixed Rate Mode. The initial RTV Weekly Rate for the Series 2012 V10 Bonds for the period commencing on the date of delivery of the Series 2012 V10 Bonds will be determined by Morgan Stanley & Co. LLC ("Morgan Stanley"), and Loop Capital Markets, as Underwriters of the Series 2012 V10 Bonds, and each RTV Weekly Rate thereafter will be determined by Morgan Stanley as Remarketing Agent for the Series 2012 V10 Bonds, as described herein.

This Official Statement generally describes the Series 2012 V10 Bonds only while bearing interest in the RTV Mode. Prospective purchasers of the Series 2012 V10 Bonds in any Mode other than the RTV Mode should not rely on this Official Statement. If and when the Series 2012 V10 Bonds are converted to a different Mode, a new Official Statement will be prepared.

The Series 2012 V10 Bonds are general obligations of the City of Milwaukee, Wisconsin, payable from taxes levied on all taxable property within the City subject to taxation by the City without limitation as to rate or amount. A direct annual irrepealable tax will be levied in each year in an amount sufficient to pay interest on the RTVs as it falls due, and also to pay principal at maturity or on the Final Mandatory Purchase Date. Principal of the RTVs on the applicable Optional Maturity Date and on the applicable Extended Mandatory Purchase Date is payable only from remarketing proceeds and other available funds of the Issuer.

The RTVs are offered when, as and if issued by the Issuer and received by the Underwriter, subject to the approval of legality by Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP. Robert W. Baird & Co. has been retained as Financial Advisor to the Issuer in connection with the issuance of the RTVs. It is expected that the RTVs will be available for delivery through DTC in New York on or about August 29, 2012.

MORGAN STANLEY
LOOP CAPITAL MARKETS

Dated: August 21, 2012

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* Copyright, American Bank RTV Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012 V10 Bonds as a result of various subsequent actions. The above-referenced CUSIP number has been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the RTVs. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to their correctness on the RTVs, or as indicated above. The CUSIP number is subject to change after the issuance of the RTVs.

The information set forth or incorporated by reference herein has been obtained from the Issuer and other sources which are believed to be reliable, but, as to information from other than the Issuer, it is not to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, except as expressly set forth herein.

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

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. 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 Series 2012 V10 Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of laws, the Indenture, the Resolution, the Series 2012 V10 Bonds and other documents herein do not purport to be complete; reference is made to said laws, the Indenture, the Resolution, the Series 2012 V10 Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Trustee.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL, IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY

This Summary highlights information contained elsewhere in this Official Statement. This Summary does not contain all of the information you should consider before deciding whether to invest in the RTVs. You should read this entire Official Statement carefully before deciding whether to invest in the RTVs.

The RTVs	The Series 2012 V10 Bonds offered under this Official Statement are being issued initially as Rolling Tender Variable Rate Bonds ("RTVs") in the RTV Weekly Rate Period of the RTV Mode. All references in this Official Statement to the RTVs refer to the Series 2012 V10 Bonds while they are in the RTV Mode.
Source of Repayment	The Issuer's obligations to pay principal on the Series 2012 V10 Bonds at maturity and on a Final Mandatory Purchase Date (defined below) and to pay all interest due on the Series 2012 V10 Bonds will be general obligations of the Issuer. The Issuer's obligation to make principal payments on the Optional Maturity Date and on the Extended Mandatory Purchase Date will not be a general obligation of the Issuer but will be payable from remarketing proceeds and other available funds provided under the Indenture.
Ratings	The RTVs have received long-term ratings of "Aa2" and "AA" and short-term ratings of "P-1" and "A-1+" by Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services ("S&P"), respectively, based on the ratings of the Issuer.
Determination of Interest Rates on the RTVs	Morgan Stanley & Co. LLC ("Morgan Stanley"), as the Remarketing Agent, will determine the initial RTV Weekly Rate on or before the date of issuance of the RTVs and thereafter will determine the interest rate on the RTVs by 10 A.M. (New York time) on each weekly Rate Determination Date during the Weekly Rate Period as the minimum rate of interest which, in the opinion of the Remarketing Agent would result in the sale of the Series 2012 V10 Bonds for the upcoming RTV Weekly Rate Period at a price equal to the principal amount thereof plus accrued interest, if any. Such RTV Weekly Rate is reset on each Thursday, or if a particular Thursday is not a Business Day, the first Business Day thereafter (a "Rate Reset Date") and is effective through the day preceding the next Rate Reset Date. RTVs that have been properly tendered for purchase and have not been remarketed or purchased as of the first Business Day of the month on or after any Optional Purchase Date will be exchanged for Series 2012 V10 Bonds with a new CUSIP number that bear interest at the Extension Rate during each RTV Extension Period described below. Neither the RTV Weekly Rate nor the Extension Rate shall ever exceed the Maximum Rate. For more information on how the RTV Weekly Rate and the Extension Rate are set, see "RTV Weekly Rate", "Extension Rate" below.
Interest Payment Dates	Interest on the RTVs will be paid monthly on the first Business Day of each month. Interest on the RTVs will also be paid on the Maturity Date and as part of the Purchase Price on any Mode Change Date, or Final Mandatory Purchase Date, and any other date on which RTVs are purchased pursuant to the Indenture. Interest on the RTVs will accrue on the basis of a 365/366-day year and actual days elapsed. The record date for payment of interest on an RTV is the Business Day before the date on which interest is to be paid.

RTV Weekly Rate	Each RTV Weekly Rate will be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of the day such rate is determined to remarket the RTVs at a price equal to the principal amount thereof plus accrued interest. Each RTV Weekly Rate will be in effect for the applicable RTV Weekly Rate Period, a period (generally consisting of seven days) beginning on a Thursday (or if such Thursday is not a Business Day, on the first Business Day succeeding the applicable Thursday (or, in the case of initial RTV Weekly Rate, the date of issuance of the RTVs) and ending on the following Wednesday (or if the Thursday after such Wednesday is not a Business Day, on the day immediately preceding the next Rate Reset Date.)
Extension Rate	An RTV in an RTV Extension Period will bear interest at the applicable Extension Rate. Each RTV Extension Period generally will be the period of approximately one month from one Interest Payment Date to (but not including) the next Interest Payment Date. The Calculation Agent will determine the Extension Rate for each applicable RTV Extension Period by 12:00 P.M. on the first day of each RTV Extension Period. Each Extension Rate will be calculated based on the ratings of the applicable Series 2012 V10 Bond on the applicable Rate Determination Date which is the first day of the applicable RTV Extension Period. Each Extension Rate will be in effect (a) for the period beginning on the first Business Day of the month on or after any Optional Purchase Date for an optionally tendered RTV that has not been remarketed or for an RTV that bore interest at an Extension Rate in the immediately preceding RTV Extension Period, the following Interest Payment Date and (b) ending on the day preceding the earliest of occur of (i) the next Interest Payment Date, (ii) the next Mandatory Purchase Date; (iii) the date on which such RTV is redeemed; (iv) a Mode Change Date or Conversion Date for such RTV or (v) the Maturity Date. However, the Extension Rate will never exceed the Maximum Rate. The Extension Rate for an RTV Extension Period will be the per annum interest rate determined in the manner described below by the Calculation Agent based, on the short-term ratings of the RTV by Fitch Ratings, Moody's and/or S&P on the applicable Rate Determination Date and the period of time that the Extension Rate has been in effect, as follows:

SHORT-TERM RATINGS			INTEREST RATE: NUMBER OF INTEREST PAYMENT DATES SINCE NO BONDS BORE INTEREST AT AN EXTENSION RATE	
FITCH[1]	MOODY'S	S&P	0-3	4+
F1+	P-1	A-1+	One Year MMD Rate plus 100 basis points	Thirty Year MMD Rate plus 100 basis points
F1	-	A-1	One Year MMD Rate plus 200 basis points	Thirty Year MMD Rate plus 200 basis points
F2	P-2	A-2	Thirty Year MMD Rate plus 300 basis points	Thirty Year MMD Rate plus 300 basis points
F3	P-3	A-3	Thirty Year MMD Rate plus 400 basis points	Thirty Year MMD Rate plus 400 basis points
Lower than F3 (or insufficient number of ratings)	Lower than P-3 (or insufficient number of ratings)	Lower than A-3 (or insufficient number of ratings)	Maximum Rate	Maximum Rate

For purposes of determining any Extension Rate other than the Maximum Rate, a short-term rating on the applicable RTV shall be required from at least two Rating Agencies, and the applicable interest rate shall be the highest interest rate set forth above (in the grid box corresponding, as of the Interest Payment Date on which the applicable RTV Extension Period begins, to the number of Interest Payment Dates that have occurred since the last Interest Payment Date on which no Series 2012 V10 Bonds bore interest at an Extension Rate) opposite a line that contains any of the short-term ratings in effect for the applicable RTV at the time of determination by the Calculation Agent of the applicable Extension Rate. Under certain circumstances, the Extension Rate may be lower than the RTV Weekly Rate. For purposes of counting the number of Interest Payment Dates since no Bonds bore interest at an Extension Rate, the Interest Payment Date on which an Extension Rate

[1] For purposes of the initial issuance of the RTVs, the Issuer has not obtained a rating from Fitch.

Sequence (as defined in the Indenture) begins is not deemed an Interest Payment Date on which the Bonds bore interest at an Extension Rate.

Maximum Rate	For RTVs, the Maximum Rate is the least of (a) 9% per annum or (b) the maximum interest rate permitted under applicable law.
Minimum Investment Amount	Purchases of RTVs may be made in denominations of $100,000 or any multiple of $5,000 in excess thereof.
Book-Entry Form	No physical delivery of RTV certificates will be made to purchasers. RTVs will be issued in book-entry form through The Depository Trust Company ("DTC"), and records of beneficial ownership of RTVs will be maintained by DTC and by broker-dealers and other direct and indirect participants in the book-entry system of recordkeeping maintained by and through DTC.
Optional Tender For Purchase	Owners of RTVs bearing interest at the RTV Weekly Rate may elect to tender their bonds for purchase by delivery of irrevocable written notice described herein to the Trustee (with a copy to the Remarketing Agent). The Remarketing Agent shall exercise its best efforts to remarket any RTV for which such optional tender notice is delivered on the date that is seven days (or if such day is not a Business Day, on the first Business Day preceding such seventh day) following receipt of such optional tender notice by the Trustee (such date, the "Optional Purchase Date"). Purchase of an optionally tendered RTV on the applicable Optional Purchase Date is not required if the Remarketing Agent is unable to remarket the applicable RTV. Any RTV bearing interest at an RTV Weekly Rate that is optionally tendered and that is not remarketed by the Remarketing Agent on the applicable Optional Purchase Date will bear interest as described under "Determination of Interest Rates on the RTVs" above.
Mandatory Tender For Purchase	An RTV that has been optionally tendered is subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof on any Business Day on or after the Optional Purchase Date. An RTV is also subject to mandatory tender for purchase (i) on the effective date of any change of the applicable Mode from the RTV Mode to any other Mode, and (ii) on the Final Mandatory Purchase Date as defined below. In the case of an RTV bearing interest at an RTV Weekly Rate, the Trustee shall provide at least 30 days' notice prior to the Mandatory Purchase Date. No such notice is required in the case of an RTV that has been optionally tendered, or that is bearing interest at an Extension Rate or Maximum Rate.
Optional Redemption and Purchase in Lieu of Redemption	The RTVs are subject to redemption or mandatory purchase in lieu of redemption prior to their stated maturity date at the option of the Issuer, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price or purchase price equal to the principal amount of the RTVs or portion thereof to be redeemed or purchased, without premium, plus interest accrued thereon to the date fixed for redemption or purchase, provided that no RTV shall be optionally redeemed or purchased in whole or in part unless all RTVs that bear interest at an Extension Rate on or as of the date notice of such optional redemption or purchase is given are redeemed or purchased and that if less than all RTVs are optionally redeemed or

purchased, RTVs bearing interest at an Extension Rate shall be selected for redemption or purchase before RTVs that will bear interest at an RTV Weekly Rate immediately following the applicable optional redemption or purchase date.

Partial Remarketings

If the Remarketing Agent is able to remarket some but not all RTVs eligible for remarketing, the remarketed RTVs shall be selected in the following order of priority: first, Bonds of the same series and same mode as the Remarketed Bonds; second Bonds of the same series in a mode other than the Remarketed Bonds that bear interest at an Extension Rate or Maximum Rate; third, Bonds of the same series in a mode other than the Remarketed Bonds that do not bear interest at an Extension Rate or Maximum Rate; fourth, Bonds of a different series that are in the same, or substantially similar mode as the Remarketed Bonds, and do not bear interest at an Extension Rate nor Maximum Rate; and fifth, all other Bonds. For Bonds within a priority, the Bonds with the earliest Optional Purchase Date shall be selected first. If less than all of such Bonds of a priority are remarketed, then the Trustee shall by lot determine which of such Bonds shall be remarketed (provided that if the Bonds are in the Book-entry-Only System, such determination shall be made in accordance with the procedures of the securities depository).

Extended Mandatory Purchase Date

The applicable Extended Mandatory Purchase Date shall be (a) the date that is one hundred eighty (180) days after the Owner Optional Tender Notice Date for such Bonds (or if such date is not a Business Day, the next preceding Business Day) provided, however that all RTVs that convert to an RTV Extension Sequence within the same month will receive the same Extended Mandatory Purchase Date as the first RTV that converts to an RTV Extension Sequence in any given month; and (b) any RTV Purchase Acceleration Date with respect to the applicable Bonds. The Issuer's failure to purchase or cause an RTV to be purchased on the applicable Extended Mandatory Purchase Date is an Additional Event of Default under the Indenture, and during any period in which any such Additional Event of Default has occurred and is continuing, an RTV shall bear interest at the Maximum Rate. The obligation of the Issuer to make payment of principal on an Extended Mandatory Purchase Date is not a general obligation and is limited to funds made available by the Issuer for that purpose, including remarketing and refunding proceeds.

RTV Purchase Acceleration Date

An RTV Purchase Acceleration Date shall occur in the case of any RTV that has been bearing interest at an Extension Rate for at least 90 days as of any date that is an Extended Mandatory Purchase Date for any other RTV, if such other RTV has not been remarketed prior to such date. The Issuer's failure to purchase or cause an RTV to be purchased on an applicable RTV Purchase Acceleration Date is an Additional Event of Default under the Indenture, and during any period during which any such Additional Event of Default has occurred and is continuing, an RTV shall bear interest at the Maximum Rate. The obligation of the Issuer to make payment of principal on a RTV Purchase Acceleration Date is not a general obligation and is limited to funds made available by the Issuer for that purpose, including remarketing and refunding proceeds.

Final Mandatory Purchase Date	Only on the Final Mandatory Purchase Date is the payment obligation a full faith and credit obligation of the Issuer. The Final Mandatory Purchase Date ("Final Mandatory Purchase Date") shall be: (i) with respect to RTVs with an Optional Purchase Date on or before September 1 of a calendar year, the January 15th of the next calendar year and (ii) with respect to an RTV with an Optional Purchase Date after September 1 and before the next following January, the January 15th of the second following calendar year.
Issuer's Covenant to Remarket	The Issuer covenants that commencing not later than: (i) 120 days prior to the earlier of any Extended Mandatory Purchase Date or any Final Mandatory Purchase Date of a Bond in RTV Mode (the "Required Remarketing Date"), the Issuer will begin the process to offer for sale Bonds in any mode other than RTV Mode; (ii) 30 days prior to the Required Remarketing Date, the Issuer will sell upon reasonable and customary terms and conditions, such remarketed Bonds; and (iii) 10 days prior to the Required Remarketing Date, if sold, deposit such remarketing proceeds into the Remarketing Proceeds Account held under the Indenture to purchase Extended RTVs on or before the Required Remarketing Date.
Issuer's Covenant Not to Abate	The Issuer covenants that it will not abate the annual levy relating to principal on the Bonds for the following calendar year with respect to any Outstanding Bonds in RTV Mode if there is an RTV in the RTV Extension Period with an Optional Purchase Date on or before September 1st of the current year.
Right to Enforce Covenants	If an Event of Default or Additional Event of Default shall occur and shall not have been remedied, then upon identical written request of the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding and indemnification of the Trustee, the Trustee shall proceed, to protect and enforce the rights of the Owners of the Bonds under the Bonds or the Indenture by bringing suit(s) to enforce any covenant contained in the Indenture.

OFFICIAL STATEMENT

$15,000,000
THE CITY OF MILWAUKEE
General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to furnish information in connection with the offering by The City of Milwaukee (the "Issuer") of its $15,000,000 General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10 (the "Series 2012 V10 Bonds"). The Series 2012 V10 Bonds offered under this Official Statement are being issued initially as Rolling Tender Variable Rate Bonds ("RTVs") in the RTV Weekly Rate Period of the RTV Mode. All references in this Official Statement to the RTVs refer to the Series 2012 V10 Bonds while they are in the RTV Mode.

Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in Appendix C-1 "Form of Indenture and RTV Addendum." All references to time in this Official Statement, unless otherwise specifically stated, are to New York, New York time.

Pursuant to Section 67.05(5)(b) of the Wisconsin Statutes (the "Act") the Issuer is authorized to issue municipal bonds to finance various public improvement projects, and to pay the associated financing costs. The RTVs are issued pursuant to the Trust Indenture dated as of August 1, 2012 (the "Indenture"), between the Issuer and U.S. Bank National Association (the "Trustee"), and the Resolution File Number 111567 adopted by the Issuer on June 12, 2012 (the "Resolution"). The Commissioners of the Public Debt of the Issuer adopted a resolution on August 9, 2012 (the "PDC Bond Resolution") approving the sale of the RTVs in accordance with the Resolution.

The RTVs are being issued to finance Street Improvement Projects and refinance commercial paper used to pay costs of the Projects, and to pay costs of issuing the RTVs.

As more fully described herein, the RTVs will be general obligations of the Issuer. The full faith and credit of the Issuer is pledged to make principal and interest payments on the RTVs pursuant to the Indenture. See "SECURITY."

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the RTVs. This introduction is subject in all respects to the additional information contained in this Official Statement. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Information about the Issuer is set forth in Appendix A. Financial Statements of the Issuer for the fiscal year ended December 31, 2011 are set forth in Appendix B. The form of the Indenture and RTV Addendum are included as Appendix C. The proposed form of opinion of Co-Bond Counsel is included in Appendix D. Appendix E includes the Master Continuing Disclosure Agreement with respect to the Issuer.

The summaries of the agreements and other documents herein do not purport to be comprehensive or definitive and all references to any contract, agreement and other document described herein are qualified in their entirety by reference to each such contract, agreement and other document. All references herein to the RTVs and the Series 2012 V10 Bonds are qualified in their entirety by reference to the definitive forms thereof and to the Indenture and the Resolution. Definitive copies of all contracts, agreements and other documents described in the Official Statement are available for inspection prior to the date of issuance of the RTVs at the offices of the Issuer, located at City Hall, 200 East Wells Street, Room 404, Milwaukee, Wisconsin 53202, and subsequent to the date of issuance of the RTVs, at the principal corporate trust office of the Trustee.

ESTIMATED SOURCES AND USES

Source of Funds	
Proceeds of the Series 2012 V10 Bonds	$15,000,000
Issuer Funds	150,000
Total	$15,150,000
Use of Funds	
Project Fund	$15,000,000
Costs of Issuance (including Underwriters' discount)	150,000
Total	$15,150,000

THE RTVs

General

The RTVs will be issued in the aggregate principal amount of $15,000,000 and are Rolling Tender Variable Rate Bonds under the Indenture. The RTVs will be dated the date of initial delivery thereof, will mature (unless redeemed prior to maturity) on February 15, 2032, and will be subject to optional redemption and optional and mandatory tender for purchase before maturity as described below. The Series 2012 V10 Bonds may be converted to and from the RTV Mode, the FRN Rate Mode and the Term Mode, and to the Fixed Rate Mode.

This Official Statement generally describes the RTVs, the term used to identify the Series 2012 V10 Bonds while they are in the RTV Mode. Prospective purchasers of the Series 2012 V10 Bonds in a Mode other than the RTV Mode should not rely on this Official Statement. If and when the Series 2012 V10 Bonds are converted to a different Mode, a new Official Statement will be prepared.

The RTVs will be issued by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the RTVs in principal amounts of $100,000 or any integral multiples of $5,000 in excess thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest on the RTVs will be payable as stated below, principal of the RTVs will be paid, at maturity or upon earlier redemption, and the purchase price will be paid when due, to DTC or its nominee as registered owner of the RTVs. Transfer of principal and interest payments and the purchase price to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments and purchase price to Beneficial Owners by participants of DTC will be the responsibility of such participants and other nominees of Beneficial Owners. The record date for principal and interest payments on the RTVs by DTC to its participants will be the Business Day next preceding an Interest Payment Date. Accordingly, debt service will be payable to participants of DTC, shown on the records of DTC, at the close of business on the business day preceding such debt service payment date. Neither the Issuer nor the Trustee will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

The Interest Payment Dates for the RTVs will be the first Business Day of each month, commencing on October 1, 2012. Interest on the RTVs will also be paid on the Maturity Date and as part of the Purchase Price on any Mode Change Date, Final Mandatory Purchase Date, and any other date on which RTVs are purchased pursuant to the Indenture. The record date for payment of interest on an RTV is the last Business Day before the date on which interest is to be paid.

Description of the RTVs

General. The RTVs will bear interest at the RTV Weekly Rate during each RTV Weekly Rate Period. After the initial RTV Weekly Rate Period, the RTV Weekly Rate will be determined as described below under "Interest Rate Determinations" by Morgan Stanley & Co. LLC, as Remarketing Agent (together with any successor thereto as Remarketing Agent, the "Remarketing Agent"), under the Remarketing Agreement by and between the Remarketing Agent and the Issuer (the "Remarketing Agreement").

Interest on the RTVs will be paid on each Interest Payment Date for an interest accrual period consisting generally of the preceding month. Interest on the RTVs also will be paid on any purchase date (as part of the purchase price), redemption date and the stated maturity date of the Series 2012 V10 Bonds. Interest accrued on the RTVs will be computed on the basis of a 365/366 day year and actual days elapsed.

At the option of the Issuer, Series 2012 V10 Bonds in the RTV Mode may be converted and reconverted, as described below in accordance with the Indenture, to Series 2012 V10 Bonds bearing interest in another Mode, including the FRN Rate, or Term Rate, or may be converted to a Fixed Rate. As described under "Mandatory Tender for Purchase", RTVs are subject to a mandatory tender for purchase in connection with any such change to a different type of interest rate.

During any period after an Event of Default or Additional Event of Default under the Indenture has occurred and is continuing, an RTV will bear interest at the Maximum Rate.

Interest Rate Determinations.

RTV Weekly Rate

The initial RTV Weekly Rate will be determined by the Underwriters on or prior to the date of issuance of the RTVs. The initial RTV Weekly Rate so determined shall be in effect for the first RTV Weekly Rate Period, which will be the period from and including the date of issuance of the RTVs to but not including the following Wednesday. Thereafter, the RTV Weekly Rate Period for each RTV Weekly Rate will be the period (generally consisting of seven days) beginning on the applicable Rate Reset Date, which is the Thursday of each week (or if a particular Thursday is not a Business Day, the first Business Day succeeding the applicable Thursday), and ending on the following Wednesday (or if the Thursday after such Wednesday is not a Business Day, on the day immediately preceding the next Rate Reset Date.)

The Remarketing Agent shall establish the RTV Weekly Rate for each RTV Weekly Rate Period by 10:00 A.M. on each Rate Reset Date. Each RTV Weekly Rate shall be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of the applicable rate determination date to remarket the RTVs at a price equal to the principal amount thereof plus accrued interest. Notwithstanding the foregoing, the RTV Weekly Rate will not exceed the Maximum Rate.

During any period in which the Remarketing Agent fails for any reason to determine the interest rate for the RTVs, the interest rate on RTVs bearing interest at an RTV Weekly Rate, during each subsequent Interest Period, shall be a rate per annum equal to 100% of the interest rate of the most recent seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or any person acting in cooperation with or under the sponsorship of SIFMA or if such index is not published, such other publicly available rate as the Remarketing Agent (or if the Remarketing Agent fails to do so, the Issuer) shall deem most nearly equivalent thereto (the "SIFMA Rate") in effect on the first day of such Interest Period, plus 25 basis points as determined by the Calculation Agent. Notwithstanding the foregoing, the RTV Weekly Rate will not exceed the Maximum Rate.

RTVs bearing interest at the RTV Weekly Rate that have not been remarketed or purchased on their respective applicable Optional Purchase Date and that have not been remarketed or purchased as of the first Business Day of the month immediately following the respective applicable Optional Purchase Date will receive a new CUSIP number and thereafter shall bear interest at the Extension Rate during each RTV Extension Period described below.

Extension Rate

The Extension Rate for each applicable RTV Extension Period will be determined by the Calculation Agent by 12:00 P.M. on the day on which the applicable RTV Extension Period begins. The Calculation Agent shall make the Extension Rate available after 12:00 P.M. on the applicable Rate Determination Date by telephone or Electronic Means to the Trustee and any Beneficial Owner requesting the same. Each RTV Extension Period generally will be the period of approximately one month from one Interest Payment Date to the next Interest Payment Date. The Extension Rate during an Extension Period will be the per annum interest rate determined by the Calculation Agent based, in the manner described below, on the short-term ratings of the applicable RTV by Moody's and S&P (and Fitch if Fitch rates the Issuer) on the applicable Rate Determination Date, as determined by the Calculation Agent, as follows:

Short-Term Ratings			Interest Rate: Number of Interest Payment Dates Since No Bonds Bore Interest at an Extension Rate	
Fitch[1]	Moody's	S&P	0-3	4+
F1+	P-1	A-1+	One Year MMD Rate plus 100 basis points	Thirty Year MMD Rate plus 100 basis points
F1	--	A-1	One Year MMD Rate plus 200 basis points	Thirty Year MMD Rate plus 200 basis points
F2	P-2	A-2	Thirty Year MMD Rate plus 300 basis points	Thirty Year MMD Rate plus 300 basis points
F3	P-3	A-3	Thirty Year MMD Rate plus 400 basis points	Thirty Year MMD Rate plus 400 basis points
Lower than F3 (or insufficient number of ratings)	Lower than P-3 (or insufficient number of ratings)	Lower than A-3 (or insufficient number of ratings)	Maximum Rate	Maximum Rate

For purposes of determining any Extension Rate other than the Maximum Rate, a short-term rating on the applicable RTV shall be required from at least two Rating Agencies, and the applicable interest rate shall be the highest interest rate set forth above (in the grid box corresponding, as of the Interest Payment Date on which the applicable RTV Extension Period begins, to the number of Interest Payment Dates that have occurred since the last Interest Payment Date on which no Series 2012 V10 Bonds bore interest at an Extension Rate) opposite a line that contains any of the short-term ratings in effect for the applicable RTV at the time of determination by the Calculation Agent of the applicable Extension Rate. For example, in the case of a Bond rated F-1 by Fitch, P-1 by Moody's and A-1+ by S&P, the Extension Rate would be determined by reference to the row containing F-1 (the lowest applicable rating); on each of the first three Interest Payment Dates following the last Interest Payment Date on which no Bonds bore interest at an Extension Rate, the Calculation Agent would determine the One Year MMD Rate in effect as of the applicable Interest Payment Date and add 200 basis points to establish the Extension Rate in effect for the RTV Extension Period that begins on the applicable Interest Payment Date; on each of the fourth and any subsequent Interest Payment Dates following the last Interest Payment Date on which no Bonds bore interest at an Extension Rate, the Calculation Agent would determine the Thirty Year MMD Rate in effect as of the applicable Interest Payment Date and add 200 basis points to establish the Extension Rate in effect for the RTV Extension Period that begins on the applicable Interest Payment Date. The same Extension Rate would be applicable to a Bond rated F-1+ by Fitch, P-1 by Moody's and A-1 by S&P. For purposes of counting the number of Interest Payment Dates since no Bonds bore interest at an Extension Rate, the Interest Payment Date on which an Extension Rate

[1] For purposes of the initial issuance of the RTVs, the Issuer has not obtained a rating from Fitch.

Sequence (as defined in the Indenture) begins is not deemed an Interest Payment Date on which the Bonds bore interest at an Extension Rate.

Each Extension Rate shall be in effect for the applicable RTV Extension Period, which shall begin on (i) the first Business Day of the month on or after any Optional Purchase Date for an optionally tendered RTV that has not been remarketed or purchased from amounts provided by the Issuer in its discretion, or (ii) an Interest Payment Date for an RTV that bore interest at an Extension Rate in the immediately preceding RTV Extension Period and that as of the applicable Interest Payment Date has not been remarketed, and shall end on the day preceding the earliest to occur of (i) the next Interest Payment Date, (ii) the next Mandatory Purchase Date; (iii) the date on which such RTV is redeemed; (iv) a Mode Change Date or Conversion Date for such RTV or (v) the Maturity Date.

Notwithstanding the foregoing, the Extension Rate will not exceed the Maximum Rate.

Conversion. The RTVs may be converted, in whole or in part, to and from a different Mode as directed by the Issuer, in a written notice to the Trustee, the Remarketing Agent and any Rating Agency then rating the Series 2012 V10 Bonds and such notice shall be given no later than the Business Day which is at least 20 days prior to the proposed effective date of the change in Mode. Upon any change in the type of interest rate borne by the Series 2012 V10 Bonds pursuant to the provisions in the Indenture (a "Change in the Interest Rate Mode"), the RTVs are subject to mandatory tender for purchase at a price equal to the principal amount thereof plus accrued interest on the effective date of such Change in Mode. In the case of an RTV bearing interest at an RTV Weekly Rate other than the Maximum Rate or an Extension Rate, the Trustee is required to give notice of the proposed change in the Mode to the registered owners of the RTVs no less than 15 days prior to the proposed effective date of the change in Mode. In the case of an RTV bearing interest at an Extension Rate or Maximum Rate, a conversion can occur on any Business Day without prior notice of such conversion from the Issuer to the Trustee and from the Trustee to the Bondowners, but the Trustee is required to give notice to the Bondowners promptly upon the occurrence of such conversion. All RTVs subject to conversion are subject to mandatory tender for purchase on the Mode Change Date. The Mode Change Date means, with respect to the Bonds in a particular Mode, the day on which another Mode for the Bonds begins.

A change in the Mode for the RTVs will only occur if (i) the Trustee and the Remarketing Agent receive, on or prior to the Mode Change Date, an opinion of Co-Bond Counsel to the effect that such change in the Mode or interest rate is authorized by the Indenture and will not have an adverse effect on the exclusion of interest on such Series 2012 V10 Bonds from gross income for federal income tax purposes; and (ii) sufficient remarketing proceeds have been received by the Trustee on the Mode Change Date to pay for the tendered Bonds (in the event of partial receipt of remarketing proceeds, the Trustee shall determine which tendered Bonds to purchase). If any of the foregoing conditions are not met, the mandatory tender for purchase on such proposed conversion date will be rescinded and RTVs bearing interest at the RTV Weekly Rate will continue to bear interest at the applicable RTV Weekly Rate. If any of the foregoing conditions to conversion are not met, RTVs bearing interest at an Extension Rate will cease to be subject to mandatory tender for purchase on the proposed conversion date (unless such date is an Extended Mandatory Purchase Date, in which case such RTVs shall be subject to mandatory tender for purchase on such date) and will continue to bear interest at the applicable Extension Rate. If any of the foregoing conditions for a change in the Mode are not met and notice of such proposed change in Mode and mandatory tender has been given, the Trustee shall, as soon as practicable, but in no event later than the next succeeding Business Day, give notice of the failed conversion by Electronic Means to the Issuer and the registered owners of the RTVs. No Event of Default shall be deemed to have occurred as a result of the failure to satisfy the conditions precedent to any Mode change.

Optional Tender for Purchase

In the case of an RTV bearing interest at the RTV Weekly Rate, a Bondowner (or, if the Book-Entry Only System is in effect, a Beneficial Owner, acting through its DTC Participant, and the DTC Participant through DTC) may, at its option, tender an RTV or any portion thereof in an Authorized Denomination (provided that the amount of any such Bond not to be purchased will also be in an Authorized Denomination) for purchase by delivering an irrevocable written notice (an "Optional Tender Notice") to the Trustee and to the Remarketing Agent on any Business Day. An Optional Tender Notice shall state the CUSIP, bond series and the principal amount thereof to be purchased, contact information of the tenderer and payment instructions and an irrevocable demand for such purchase. The date that the Trustee receives the notice is the "Owner Optional Tender Notice Date." Upon receipt by the Remarketing Agent of the Tender Notice, the Remarketing Agent shall give notice to the tendering Beneficial Owner of the date that is seven calendar days after the Owner Optional Tender Notice Date (or if such date is not a Business Day, the preceding Business Day) (the applicable "Optional Purchase Date").

If the Remarketing Agent identifies a purchaser for an RTV (or portion thereof) for which a Tender Notice has been delivered the Remarketing Agent will give notice by Electronic Means to the tendering Bondowner, the Trustee and the Issuer that a purchaser has been identified.

The giving of a Tender Notice by a Bondowner or DTC shall constitute the irrevocable tender for purchase of such RTV on the tender date designated by the Remarketing Agent, regardless of whether such RTV is delivered to the Trustee for purchase on such tender date. The Trustee will purchase such RTV pursuant to the Indenture on the designated tender date at a price equal to the principal amount so tendered plus accrued interest, but only if sufficient remarketing proceeds or, any other amounts are made available, in its discretion, by the Issuer. If sufficient remarketing proceeds are not available for the purchase of such RTV on the designated Optional Purchase Date and no other amounts are provided by the Issuer, in its discretion, for such purpose, then such RTV will not be tendered or deemed tendered or required to be purchased on such date and no Event of Default or Additional Event of Default will occur pursuant to the Indenture except as provided below under "Mandatory Tender for Purchase – Extended Mandatory Purchase Date" and "Mandatory Tender for Purchase – Final Mandatory Purchase Date". The Remarketing Agent is required to give notice of such inability to remarket by Electronic Means to the tendering Bondowner or DTC as soon as practicable by 10:45 A.M. on the Optional Purchase Date. After the Optional Purchase Date, the tendered RTV shall be subject to mandatory purchase on any Business Day without prior notice to the Bondowner.

Mandatory Tender for Purchase

Mandatory Tender on Extended Mandatory Purchase Date. Each RTV bearing interest at the Extension Rate is subject to mandatory tender for purchase on the applicable Extended Mandatory Purchase Date and on any Business Day thereafter. The applicable Extended Mandatory Purchase Date shall be the date that is one hundred eighty (180) days after the Owner Optional Tender Notice Date, provided that if such date is not a Business Day, the next preceding Business Day provided, however that all RTVs that convert to an RTV Extension Sequence within the same month will receive the same Extended Mandatory Purchase Date as the first RTV that converts to an RTV Extension Sequence in any given month; and any RTV Purchase Acceleration Date with respect to the applicable Bonds. The Issuer's failure to purchase or cause an RTV to be purchased on the applicable Extended Mandatory Purchase Date is an Additional Event of Default under the Indenture, and during any period in which any such Additional Event of Default has occurred and is continuing, an RTV shall bear interest at the Maximum Rate. Such failure to purchase the RTVs on an Extended Mandatory Purchase Date shall not constitute an Event of Default under the Indenture until, with respect to an RTV with an Optional Purchase Date on or before September 1 of a calendar year, the January 15th of the next calendar year and with respect to an RTV with an Optional Purchase Date after September 1 and before the next following January, the January 15th of the second following calendar year (the "Final Mandatory Purchase Date").

Mandatory Tender on RTV Purchase Acceleration Date. Each RTV that has been in an RTV Extension sequence for at least 90 days as of an Extended Mandatory Purchase Date for any other RTV, if such other RTV has not been remarketed prior to such date is subject to mandatory tender for purchase on such Extended Mandatory Purchase Date (an "RTV Purchase Acceleration Date"). The Issuer's failure to purchase or cause an RTV to be purchased on any applicable RTV Purchase Acceleration Date is an Additional Event of Default under the Indenture, and during any period in which any such Additional Event of Default has occurred and is continuing, an RTV shall bear interest at the Maximum Rate. The Trustee is required to mail a notice of the occurrence of an RTV Purchase Acceleration Date to the Bondowners within one Business Day after such occurrence.

Mandatory Tender Upon a Change in the Interest Rate Mode. The RTVs are subject to mandatory tender for purchase on the effective date of a change in Mode. If the conditions for the change in Mode set forth in the Indenture are not satisfied, RTVs shall not be subject to mandatory tender on the proposed effective date.

Notice of Mandatory Tender. In the case of an RTV bearing interest at an RTV Weekly Rate other than the Maximum Rate, the Trustee is required to mail notice of the proposed mandatory tender to the registered owners of the RTVs no less than 15 days prior to the proposed Mandatory Purchase Date. In the case of an RTV bearing interest at an Extension Rate or Maximum Rate, a mandatory tender can occur without prior notice of such mandatory tender from the Trustee to the Bondowners, but the Trustee is required to give notice to the Bondowners no later than the Business Day after the applicable mandatory purchase. The failure to mail any such notice with respect to any Bond shall not affect the validity of the mandatory purchase of such Bond or any other Bond subject to such mandatory purchase.

Final Mandatory Purchase Date. The failure to pay the Purchase Price of an RTV on the Final Mandatory Purchase Date of all tendered Bonds with that Final Mandatory Purchase Date shall constitute an Event of Default under the Indenture. The Final Mandatory Purchase Date with respect to an RTV with an Optional Purchase Date on or before September 1 of a calendar year is the January 15th of the next calendar year. The Final Mandatory Purchase Date with respect to an RTV with an Optional Purchase Date after September 1 and before the next following January, is the January 15th of the second following calendar year.

Book-Entry Bonds. For so long as the RTVs are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of RTVs shall be given to DTC only, and neither the Issuer, the Trustee, the Underwriter nor the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any Direct Participants of DTC, by any Direct Participants to any Indirect Participants of DTC or by any Direct Participants or Indirect Participants to Beneficial Owners of the RTVs.

For so long as the RTVs are registered in the name of Cede & Co., as nominee for DTC, delivery of RTVs required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable purchase date of a book entry credit to the account of the Trustee of a beneficial interest in such RTVs or portions thereof required to be tendered for purchase on that date.

For so long as the RTVs are registered in the name of Cede & Co., as nominee for DTC, payment of the purchase price shall be paid directly to DTC. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants. See "BOOK-ENTRY-ONLY SYSTEM."

RTV Extension Period

If by 10:30 A.M. on an Interest Payment Date occurring on or after the Optional Purchase Date for an RTV bearing interest at an RTV Weekly Rate for which an Tender Notice has been delivered, the Remarketing Agent despite its best efforts has been unable to remarket at par such Bond and any RTVs then bearing interest at an Extension Rate, the Remarketing Agent is required to notify by electronic means the Trustee and the Issuer by 10:45 A.M. that it has been unable to remarket all the tendered Bonds. If the Remarketing Agent has remarketed some but not all RTVs eligible for remarketing, the Trustee is required to follow the procedures described below under the caption "Partial Remarketings." For each such unremarketed RTV, the Trustee is required to authenticate a replacement bond with the applicable Extended Mandatory Purchase Date, with a CUSIP number that differs from the CUSIP numbers of all RTVs that do not have the same Extended Mandatory Purchase Date, in a principal amount equal to the principal amount of such unremarketed RTV, register such replacement bond in the name in which the applicable unremarketed RTV is registered, cancel the applicable unremarketed RTV, and deliver the applicable replacement RTV to the owner of such unremarketed RTV. Such replacement RTV will bear interest at the applicable Extension Rate during each applicable RTV Extension Period. With respect to such RTVs held in the Book Entry-Only System, the Trustee is required to instruct DTC to reduce the applicable positions of the Beneficial Owners in the unremarketed RTVs by the applicable principal amount of unremarketed and unpurchased RTVs and credit a commensurate principal amount of the replacement RTVs with the applicable Extended Mandatory Purchase Date to the applicable Beneficial Owners. If no RTVs bore interest at the Extension Rate in the prior Interest Period, then the Issuer is required to provide to each Rating Agency prompt written notice, and file a material event notice, of the commencement of a RTV Extension Period and of the principal amount of the RTVs subject to such RTV Extension Period.

Partial Remarketings

If the Remarketing Agent is able to remarket some but not all RTVs eligible for remarketing on a particular optional purchase date or mandatory purchase date, the remarketed RTVs shall be selected in the following order of priority: (i) first, Bonds of the same series and same mode as the Remarketed Bonds; second Bonds of the same series in a mode other than the Remarketed Bonds that bear interest at an Extension Rate or Maximum Rate; third, Bonds of the same series in a mode other than the Remarketed Bonds that do not bear interest at an Extension Rate or Maximum Rate; fourth, Bonds of a different series that are in the same, or substantially similar mode as the Remarketed Bonds, and do not bear interest at an Extension Rate nor Maximum Rate; and fifth, all other Bonds. For Bonds within a priority, the Bonds with the earliest Optional Purchase Dates shall be selected first. If less than all such Bonds are remarketed, then the Trustee shall by lot determine which of such Bonds shall be remarketed (provided that if the Bonds are in the Book-Entry-Only System, such determination shall be made in accordance with the procedures of the securities depository).

Redemption Provisions

Optional Redemption and Purchase in Lieu of Redemption. The RTVs are subject to redemption or mandatory purchase in lieu of redemption prior to their stated maturity date at the option of the Issuer, in whole or in part, on any Business Day, at a redemption price or purchase price equal to the principal amount of the RTVs or portion thereof to be redeemed or purchased, without premium, plus interest accrued thereon to the date fixed for redemption or purchase, provided that no RTV shall be optionally redeemed or purchased in whole or in part unless all RTVs that bear interest at an Extension Rate on or as of the date notice of such optional redemption or purchase is given are redeemed or purchased and that if less than all RTVs are optionally redeemed or purchased, RTVs bearing interest at an Extension Rate shall be selected for redemption or purchase before RTVs that will bear interest at an RTV Weekly Rate immediately following the applicable optional redemption or purchase date.

Notice or Conditional Notice of Redemption. The Trustee is required to give notice of redemption of any RTVs, specifying the date of redemption, the principal amount thereof to be redeemed and the redemption price, by mailing, postage prepaid, not more than 60 days nor less than 30 days prior to the redemption date, copies thereof to the Registered Owners of any RTVs, or portions thereof, to be redeemed; provided, however, that failure to mail such notice to any Registered Owner entitled thereto shall not affect the validity of the proceedings for the redemption of any RTVs as to which no such failure occurred. Unless sufficient funds to perform the redemption or purchase are deposited with the Trustee prior to the date of a notice of redemption, any notice of redemption or purchase shall state that it is conditioned upon sufficient funds being on deposit with the Trustee to redeem or purchase the RTVs called for redemption or purchase on the applicable redemption or purchase date and that failure to make such a deposit shall not constitute an Event of Default hereunder. In the event the conditions precedent to an optional redemption or purchase in lieu of redemption have not been satisfied by the applicable redemption or purchase date, then the redemption or purchase shall not take effect. If there is a failed optional redemption or purchase in lieu of redemption, then the RTVs shall remain in, and be subject to the terms of, their current Mode. The City may also instruct the Trustee to provide conditional notice of redemption or purchase, except for mandatory sinking fund redemption, which may be conditioned upon any other event. If the City so instructs the Trustee, the notice of redemption or purchase shall also state that it is revocable and any redemption or purchase in lieu of redemption is conditional and that failure to satisfy such condition shall not constitute an Event of Default hereunder. If such notice is revoked or sufficient funds are not so deposited by such date, such RTVs shall not be subject to redemption or purchase and the holders thereof shall have the same rights as if no such notice had been given.

So long as the Book-Entry-Only System remains in effect for the RTVs, notices of redemption will be mailed by the Trustee to only DTC or its nominee, as registered owner of the RTVs. The Trustee is not responsible for giving notices of redemption to anyone other than the registered owners of the RTVs. The Issuer is not responsible for giving any notice of redemption.

Partial Redemption. If the RTVs are to be redeemed in part, subject to the first paragraph above, the RTVs to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided (a) that such portion of any RTV to be redeemed shall be in an Authorized Denomination, (b) that, in selecting RTVs for redemption, the Trustee shall treat each RTV as representing that number of RTVs which is obtained by dividing the principal amount of such RTV by $100,000 and (c) that, to the extent practicable, the Trustee will not select any RTV for partial redemption if the amount of such RTV remaining Outstanding would be reduced by such partial redemption to less than the lowest Authorized Denomination. If, however, the RTVs are to be redeemed in part while the Book-Entry Only System through DTC is in effect, the RTVs to be redeemed shall be selected by DTC in such manner as DTC may determine.

Effect of Redemption. Notice of redemption having been given in the manner provided above, and money sufficient for the redemption being held by the Trustee for the purpose, the RTVs so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue as of the redemption date and the owners of the RTVs so called for redemption shall thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such RTVs.

Certain Covenants of the Issuer

Remarketing. The Issuer's obligation to make principal payments on the Optional Maturity Dates and on the Extended Mandatory Purchase Dates will be payable from available funds provided under the Indenture. In the Indenture, the Issuer covenants that commencing not later than: (i) 120 days prior to the earlier of any Extended Mandatory Purchase Date or Final Mandatory Purchase Date of a Bond in RTV Mode (the "Required Remarketing Date"), the Issuer will begin the process to offer for sale Bonds in any Mode other than RTV Mode; (ii) 30 days prior to the Required Remarketing Date, the Issuer will sell upon reasonable and customary terms and conditions, such remarketed Bonds; and (iii) 10 days prior to the Required Remarketing Date, if sold, deposit such remarketing proceeds into the Remarketing Proceeds Account held under the Indenture to purchase Extended RTVs on or before the Required Remarketing Date.

Abatement. Pursuant to the Indenture, the City may presume the continued remarketing of Bonds in the RTV Mode in order to abate the annual levy relating to principal on Bonds in the RTV Mode; however, the Issuer covenants that it will not abate the annual levy relating to principal on the Bonds for the following calendar year with respect to any Outstanding Bonds in RTV Mode if there is an RTV in the RTV Extension Period with an Optional Purchase Date on or before September 1st of the current year.

Events of Default

Each of the following events shall constitute and is referred to in the Indenture as an "Event of Default":

(a) if a default shall occur in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable;

(b) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, at maturity or by call for redemption pursuant to a mandatory sinking fund requirement or on any Final Mandatory Purchase Date;

(c) if a default shall occur in the performance or observance by the Issuer of any other of the covenants, agreements or conditions in the Indenture (other than paragraphs (a), (b), (d) or (e) under this caption) or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Issuer by the Trustee or after written notice thereof to the Issuer and to the Trustee by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, provided that if the nature of the default is such that it cannot be cured within the initial 60-day cure period but can be cured within an additional period of not to exceed sixty (60) days from the end of the initial 60-day cure period, no event of default shall occur if the Issuer institutes corrective action within the initial 60-day cure period and diligently pursues such action until the default is corrected (provided such default is corrected within the additional 60-day period described above); or

(d) if the Issuer shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of Wisconsin.

The following event shall constitute and is referred to in the Indenture as an "Additional Event of Default":

(e) if the Issuer shall fail to pay the Purchase Price of all tendered Bonds when due and payable on any Extended Mandatory Purchase Date.

Remedies

If an Event of Default or Additional Event of Default shall occur and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Bonds or the Indenture forthwith by a suit or suits in equity or at law, whether by mandamus or for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power herein granted, or for an accounting against the Issuer as if the Issuer were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture or enforce any of the rights or interests of the Owners of the Bonds under the Bonds or the Indenture.

Remedies for an Additional Event of Default shall not include demand for payment from funds other than amounts on deposit and available in the Remarketing Proceeds Account for such Bonds.

Regardless of the occurrence of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interest of the Owners.

Under no circumstance may the Trustee declare an acceleration of the principal of or interest on the Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default or an Additional Event of Default. Additionally, under no circumstances may the Trustee seek remedies for payment of the Purchase Price from the Issuer on any

Optional Purchase Date or on any Extended Mandatory Purchase Date other than from amounts on deposit and available in the Remarketing Proceeds Account under the Indenture.

SECURITY

The RTVs are general obligations of the Issuer. The full faith, credit, and taxing power of the Issuer are pledged to pay interest when due on, and principal at maturity and on the Final Mandatory Purchase Date of the RTVs. A direct annual irrepealable tax shall be levied in each year that the RTVs are outstanding, in an amount sufficient to pay, and for the express purpose of paying, the interest on the RTVs as it falls due, and also to pay and discharge the principal thereof at maturity or on the Final Mandatory Purchase Date. Such taxes shall be levied against all taxable property in the City without limitation as to rate or amount. The RTVs represent and constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation.

The receipts derived from the taxes levied for payment of the RTVs and all amounts in the funds and accounts created or maintained pursuant to the Indenture, or any Tax Certificate (except the Rebate Fund), including earnings on such amounts, are irrevocably pledged by the Issuer as security for the payment of the RTVs and constitute trust funds held for that purpose, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. The granting of this pledge by the Issuer does not limit in any manner the rights of the Issuer to issue any additional debt or incur any other obligations.

When there shall be insufficient funds from proceeds of the annual tax levy to pay interest on the RTVs at any time, or principal of the RTVs at maturity or on the Final Mandatory Purchase Date, such principal and interest shall be paid promptly when due from other funds of the Issuer.

Failure to pay principal on an Extended Mandatory Purchase Date shall constitute an Additional Event of Default under the Indenture, however the Trustee may demand payment only from amounts on deposit and available in the Remarketing Proceeds Account of the Indenture.

BOOK-ENTRY-ONLY SYSTEM

DTC

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the RTVs. The RTVs will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered RTV will be issued for each stated maturity of RTVs, in the aggregate principal amount of the applicable stated maturity, and will be deposited with DTC. Upon the issuance of any RTV with an Extended Mandatory Purchase Date or the subsequent issuance of an RTV with a different Extended Mandatory Purchase Date and the applicable exchange of the applicable RTV for an equal principal amount of RTVs bearing interest at an RTV Weekly Rate, an additional RTV in the aggregate principal amount of the applicable Extended Mandatory Purchase Date will be issued and registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC.

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the RTVs under the DTC system must be made by or through Direct Participants, which will receive a credit for the RTVs on DTC's records. The ownership interest of each actual purchaser of each RTV ("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 RTVs 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 RTVs, except in the event that use of the book-entry only system for the RTVs is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the RTVs unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 RTVs are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the RTVs 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 Issuer or Trustee on the payment 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, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

The foregoing information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Underwriters take responsibility for the accuracy thereof.

No Responsibility of the Issuer or the Trustee

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE RTVS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE RTVS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE RTVS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the RTVs at any time by giving reasonable notice to the Issuer and the Trustee. In addition, the Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the RTVs. If for either reason the Book-Entry Only system is discontinued, RTV certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the holder of such RTV. Thereafter, the RTVs may be exchanged for an equal aggregate principal amount of the RTVs in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of the RTVs may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of the RTVs, the Issuer and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the holder of such RTV for any exchange or registration of transfer of the RTVs. The Trustee will not be required to transfer or exchange the RTVs during the notice period preceding any redemption if such RTVs (or any part thereof) is eligible to be selected or has been selected for redemption.

THE ISSUER

LOCATION, ORGANIZATION AND GOVERNMENT

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 595,525 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("MSA") includes the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, counties, and has a population of nearly 1.6 million.

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

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

Elected Officials

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

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

CITY OFFICIALS
As of April, 2012
(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	Martin Matson	(2012)
City Treasurer	Spencer Coggs	(2012)

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

**The terms of all the above elected positions expire in April, 2016.*

Public Services and Facilities

The City, employing approximately 6,400 people on a full time basis plus others in a seasonal capacity, is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

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

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

The second special purpose governmental unit is the Wisconsin Center District ("WC District"), a public entity created by State legislation, which oversees construction/operation of the Frontier Airline Center (formerly, Midwest Airline Center), the City's major convention complex. This complex also includes the US Cellular Arena and the

Milwaukee Auditorium facilities, formerly known as "MECCA." The Frontier Airline Center, was financed by $185 million of revenue bonds issued by the WC District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the WC District. Phase One of the Frontier Airline Center was completed during 1998. Phase Two was completed in 1999. In 2001, the WC District issued $30 million of bonds to renovate the Milwaukee Auditorium which was renamed the Milwaukee Theatre.

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

On the lakefront is the Milwaukee Art Museum, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

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

Employee Relations

The City has approximately 6,400 full-time employees, 2,700 of which, in 3 bargaining units, are covered by labor agreements. The three agreements cover public safety members, and expire on December 31, 2012.

Pursuant to 2011 Wisconsin Act 10, non-public safety employee unions may only negotiate wages. 2011 Wisconsin Act 10 did not affect the ability of public safety unions to negotiate most other issues. On March 30, 2012, a Federal Court declared null and void a provision of 2011 Wisconsin Act 10 that requires non-public safety public employee unions to hold certification elections each year. Approximately 3,100 full-time City employees in 16 bargaining units, all with expired contracts, are affected by the ruling. The City is not a party to the litigation, and anticipates an appeal of the ruling. Prior to the ruling, 9 of the 16 bargaining units representing approximately 855 employees filed for annual certification. The City does not know which, if any, of the remaining bargaining units will choose to remain a bargaining unit if the ruling is upheld.

LITIGATION

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

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of $1 million, existing on August 9, 2012.

Amoco Oil, et al. v. City of Milwaukee. Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. Following the June 2011 lifting of the stay imposed during the pendency of *Metropolitan Associates v. City of Milwaukee*, (plaintiff successfully challenged the validity of 2008 amendments to § 74.37 of the Wisconsin Statutes that would have been favorable to the City in future tax cases), four separate cases have been consolidated in Judge Moroney's court for trial on December 12, 2012. In addition, following the lifting of the stay, each of the terminals was permitted to add tax years 2009 and 2010 to the original claim for tax year 2008. Approximately $3.9 million of property taxes are being disputed.

Section 74.37 Litigation. Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication in 2012 and 2013. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases. The city estimates that up to $7.3 million of property taxes are being disputed.

William Avery, et al. v. City of Milwaukee, et al. In this 2011 civil rights action, the plaintiffs claim that William Avery was wrongly convicted in 2005 of the 1998 murder of a woman. Avery spent six years in prison until DNA testing in 2010 linked the murder victim to another individual who has been convicted of murdering a number of other women. Avery claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Avery also claims that supervisors in the police department permitted such alleged misconduct to occur as a matter of practice. The parties are in the early stages of discovery in the matter. The defendants plan to file a dispositive motion asking the court to dismiss the action.

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

Robert Lee Stinson v. City of Milwaukee, et al. In this 2009 civil rights action, Mr. Stinson claims that he was wrongly convicted in 1984 of the murder of a 67-year-old woman. Stinson spent more than 20 years in prison until recent DNA testing of the victim's clothing produced no DNA matching Stinson's and new techniques of examining bite marks on the victim indicating that the marks did not match Stinson's teeth. Stinson claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and conspired with a dental expert to produce false evidence. Stinson also claims that supervisory individuals in the police department permitted such alleged misconduct to occur as a matter of practice. The matter is still in the discovery stage. Defendants plan to file a dispositive motion asking the court to dismiss the case.

Javier v. Glover. In this civil rights action, the plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot Wilbert Javier Prado. The officer, Alfonzo Glover, subsequently committed suicide after he was charged criminally with Prado's murder. In this ensuing civil litigation, the city has vigorously contested the plaintiffs' claims that Glover was acting within the scope of his employment and under color of law at the time of the shooting. The court ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The City's motion on certain evidentiary issues that would have the effect of a dismissal of the case was recently denied by the Court. The matter remains set for trial later in 2012.

Estate of James F. Perry, et al. v. Wenzel, et al. This case stems from the September 13, 2010 death of James F. Perry, while he was in custody at the Milwaukee County Criminal Justice Facility (CJF). According to the complaint, Mr. Perry was in the custody of members of the Milwaukee Police Department when he apparently experienced a seizure. Medical personnel were called to the jail. They treated Mr. Perry and transported him to a local hospital for further treatment and evaluation. Mr. Perry was released from the hospital and was returned to the jail. His processing there was completed, and he was then transferred to the CJF, where he later suffered a heart attack and died. Mr. Perry's estate and his minor son brought suit, raising constitutional and state-law claims against the City, the Police Department, the County of Milwaukee, its Sheriff's Department, and various employees thereof. Plaintiffs' claims center around the allegation that all of the City and County employees who came into contact with Mr. Perry that day were deliberately indifferent to his alleged serious medical condition. Plaintiffs also allege direct failure-to-train and failure-to-supervise claims against the City and the County. Plaintiffs claim compensatory and punitive damages, along with attorneys' fees and costs. To date, only the City has been served. Once an answer has been filed by all of the parties and the court has issued a scheduling order, discovery work will begin.

Clear Channel Outdoor v. City of Milwaukee. On June 24, 2012, Clear Channel Outdoor, a national billboard company filed a §74.37 suit against the City seeking an almost $4 million refund of property taxes paid in 2009, 2010, and 2011 for its billboards in the City. This is the latest in a series of attempts by Clear Channel and Lamar Outdoor seeking reversal of the 2006 Wisconsin Supreme Court's decision in *Adams Outdoor Advertising v. City of Madison*, and the 2011 Wisconsin Court of Appeal's decision in *Clear Channel Outdoor v. City of Milwaukee*. The companies contend that billboards should be taxed as personal property at their cost. The City contends, consistent with the two cases cited above, that the economic value of the billboards and their permits

is the fair market value of these properties. The City has defended all of these cases vigorously and will continue to do so. Court proceedings in this new case will be stayed until it has first been heard by the Board of Review. Therefore, no judicial activity is expected until the latter part of 2013.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel is of the opinion that under existing law, interest on the Series 2012 V10 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel is of the opinion that interest on the Series 2012 V10 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2012 V10 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series 2012 V10 Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2012 V10 Bonds is not exempt from Wisconsin income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2012 V10 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2012 V10 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2012 V10 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2012 V10 Bonds and the use of the property financed with the proceeds of the Series 2012 V10 Bonds.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2012 V10 Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Series 2012 V10 Bond proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain "temporary periods," proceeds of the Series 2012 V10 Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" (1/8 of one percent) than the yield on the Series 2012 V10 Bonds.

Rebate of Arbitrage Profit. Unless the Issuer qualifies for an exemption, earnings from the investment of the "gross proceeds" of the Series 2012 V10 Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2012 V10 Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Series 2012 V10 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2012 V10 Bonds.

Covenants to Comply

The Issuer has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2012 V10 Bonds.

Risks of Non-Compliance

In the event that the Issuer fails to comply with the requirements of the Code, interest on the Series 2012 V10 Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue. In such event, the Issuer's agreements with the owners of the Series 2012 V10 Bonds require neither acceleration of payment of principal of, or interest on, the Series 2012 V10 Bonds nor payment of any additional interest or penalties to the owners of the Series 2012 V10 Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series 2012 V10 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2012 V10 Bonds that may affect the taxation of certain types of owners, depending on their

particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE Series 2012 V10 Bonds.

Cost of Carry. Owners of the Series 2012 V10 Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2012 V10 Bonds.

Corporate Owners. Interest on the Series 2012 V10 Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2012 V10 Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Series 2012 V10 Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Series 2012 V10 Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Series 2012 V10 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

RATINGS

Moody's and S&P have assigned the RTVs the long-term ratings of "Aa2" and "AA," respectively, and the short-term ratings of "P-1" and "A-1+," respectively, based on the credit quality of the Issuer. The ratings may be changed upon a change in the ratings of the Issuer. Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised, either upward or downward, or withdrawn entirely by any or all of such rating agencies, if in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the RTVs.

Fitch Ratings has rated prior general obligation debt of the Issuer. The Issuer did not request a rating from Fitch Ratings for the RTVs.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Series 2012 V10 Bonds are subject to the approval of Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel for the Issuer. The approving opinion of Co-Bond Counsel, substantially in the form attached hereto as Appendix D, will be delivered on the date of delivery of the RTVs. Certain matters will be passed upon for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP.

DISCLOSURE CERTIFICATES

At the time of delivery of the RTVs, the Comptroller of the Issuer will furnish a certificate to the effect that, to the best of his knowledge and belief, the Official Statement as of its date and as of the date of delivery of the RTVs does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase all of the RTVs from the Issuer at a purchase price equal to $15,000,000. The Underwriters are to be paid an underwriting fee in connection with the RTVs of $80,000, which will include reimbursement for certain of the Underwriters' expenses. The Underwriters may offer and sell the RTVs to certain dealers (including dealers depositing the RTVs into investment trusts) and others at prices lower than the public offering price

stated on the cover page hereof. The principal offering price of the RTVs set forth on the cover hereof may be changed from time to time after the initial offering by the Underwriters.

REMARKETING AGENT

The initial Remarketing Agent shall be Morgan Stanley & Co. LLC. The Remarketing Agent will determine interest rates on the RTVs and perform the other duties and remarket RTVs as provided for in the Indenture, subject to the provisions of the Remarketing Agreement between the Issuer and the Remarketing Agent. The Remarketing Agent is required to use its best efforts to remarket RTVs properly tendered for purchase. The Remarketing Agent may deal in RTVs for its own account or as broker or agent for others and may do anything any other Bondowner may do to the same extent as if the Remarketing Agent were not serving as such. The Remarketing Agent may at any time resign and be discharged of the duties and obligations by giving at least 90 days' notice to the Issuer, the Trustee and each rating agency then rating the RTVs. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the Issuer, by an instrument filed with the Remarketing Agent and the Trustee and upon at least 30 days' notice to the Remarketing Agent and each rating agency then rating the RTVs.

CERTAIN CONSIDERATIONS AFFECTING SALES OF THE RTVs

The Remarketing Agent is Paid by the Issuer

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing RTVs that are tendered pursuant to the provisions of the Indenture by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Issuer and is paid by the Issuer for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of RTVs.

The Remarketing Agent May Purchase RTVs for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered RTVs for its own account and, in its sole discretion, may acquire such tendered RTVs in order to achieve a successful remarketing of the RTVs (*i.e.*, because there otherwise are not enough buyers to purchase the RTVs) or for other reasons. However, the Remarketing Agent is not obligated to purchase RTVs, and may cease doing so at any time without notice, in which case optionally tendered RTVs bearing interest at an RTV Weekly Rate may be exchanged for RTVs bearing interest at the Extension Rate after the applicable Optional Purchase Date in accordance with the Indenture and returned to the tendering bondholder instead of being purchased on or before the applicable Optional Purchase Date. Such an occurrence would not constitute an Event of Default under the terms of the RTVs or the Indenture. The Remarketing Agent also is not obligated to purchase RTVs bearing interest at an Extension Rate on any applicable Extended Mandatory Purchase Date. If any RTVs are not remarketed on an applicable Extended Mandatory Purchase Date, the Remarketing Agent does not, in its sole discretion, elect to purchase the RTVs on such date and the Issuer does not pay the applicable purchase price on such date, an Additional Event of Default will occur under the terms of the Indenture.

The Remarketing Agent may also make a secondary market in the RTVs by routinely purchasing and selling RTVs other than in connection with a mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may at certain times, be at, above, or below par. No notice period is required for such purchases. However, the Remarketing Agent is not required to make a secondary market in the RTVs. Thus, investors who purchase the RTVs, whether in a remarketing or otherwise, should not assume that they will be able to sell their RTVs other than by tendering the RTVs in accordance with the tender process.

The Remarketing Agent may also sell any RTVs it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the RTVs. The purchase of RTVs by the Remarketing Agent may create the appearance that there is greater third party demand for the RTVs in the market than is actually the case. The practices described above also may result in fewer RTVs being tendered in a remarketing.

RTVs May be Offered at Prices Other Than Par

Pursuant to the Indenture and the Remarketing Agreement, on or before each Rate Reset Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the RTVs on the first day of the subsequent RTV Weekly Rate Period That rate is required by the Indenture to be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket the RTVs at a price equal to the principal amount thereof. The interest rate will reflect, among other factors, the level of market demand for the RTVs (including whether the Remarketing Agent is willing to purchase RTVs for its own account). There may or may not be RTVs tendered and remarketed in connection with the Remarketing Agent's determination of an RTV Weekly Rate, and the Remarketing Agent may or may not be able to remarket any RTVs tendered for purchase at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the RTVs at the remarketing price. If the Remarketing Agent owns RTVs for its own account, in its sole discretion, it may sell those RTVs at fair market value.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the RTVs, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed and has the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Indenture and the Remarketing Agreement. In the event the Remarketing Agent fails or is unable to determine the interest rate, the RTVs will bear interest during each subsequent Interest Period at a rate per annum equal to the SIFMA Rate in effect on the first day of such Interest Period plus 25 basis points, as determined by the Calculation Agent, until a successor remarketing agent has been appointed and commences exercising its duties.

CONTINUING DISCLOSURE

The Issuer has agreed to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the RTVs to provide certain financial information and operating data relating to the Issuer annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in Rule 15c2-12 promulgated by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Rule") electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the Issuer at the time the initial Series of RTVs are delivered. Such Certificate will be in substantially the form attached hereto as Appendix E. The Issuer intends to fully comply with the Undertaking relating to the RTVs.

Continuing disclosure undertakings entered into prior to August of 2003 required that the Issuer provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the Issuer's continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the Issuer has consistently filed AFI within nine months, it has not proven feasible to do so within six months. In each of the last five years, AFI was not available within the six-month requirement and the Issuer filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the Issuer anticipates continuing to file AFI subsequent to the six month deadline and expects to file required notices of failure to file AFI before June 30 of each year. The Issuer has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

A failure by the Issuer to comply with the Undertaking will not constitute an event of default on the RTVs (although holders will have the right to obtain specific performance of the obligations under the Undertaking); however, such a failure may adversely affect the transferability and liquidity of the RTVs and their market price.

FINANCIAL STATEMENTS OF THE ISSUER

Appendix B contains audited financial information of the Issuer as of December 31, 2011 and for the fiscal year then ended. See the appendix for disclosures regarding the information, and how to view the Issuer's Comprehensive Annual Financial Report.

MISCELLANEOUS

All quotations from and summaries and explanations of the Act, the Indenture, the Resolution, the RTVs and the Series 2012 V10 Bonds contained herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture and the Resolution may be obtained upon request directed to:

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

Any statements in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Series 2012 V10 Bonds.

The execution and delivery of this Official Statement by its City Comptroller and Secretary have been duly authorized by the Issuer.

/s/ Martin Matson

City Comptroller and Secretary
City of Milwaukee, Wisconsin

APPENDIX A

INFORMATION REGARDING THE ISSUER

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

General

Based on 2010 census results, the City's population is 594,833. Population in the four county area surrounding the City is estimated at 1,619,429 and represents 28% of the population of the State of Wisconsin.

CITY OF MILWAUKEE
SELECTED ECONOMIC DATA

	Population		Adjusted
Year	Department of Administration	U.S. Census	Gross Income Per Return
2011	595,525		Not Available
2010	580,500	594,833	$32,753
2009	584,000		32,492
2008	590,870		33,144
2007	590,190		33,225
2000	605,572	596,974	32,370

Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division's population estimates are used in the distribution of State Shared Revenues.

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Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity for the years 2007-2011.

General Total

Year	Value	Permits Issued
2011	$269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
2008	249,992,533	2,067
2007	336,748,300	2,405

Residential Building

	Single Family		Multi-Family		Total		Permits
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Issued
2011	$17,892,282	139	$42,327,598	364	$60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2008	15,632,811	90	63,975,007	509	79,607,818	599	104
2007	24,940,117	160	123,505,408	677	148,445,525	837	187

Commercial Building

Year	Value	Permits Issued
2011	$58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74
2007	82,501,318	105

Public Building

Year	Value	Permits Issued
2011	$49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85
2007	19,791,921	140

Alterations and Additions

Year	Value	Permits Issued
2011	$101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
2008	101,774,868	1,804
2007	86,009,536	1,973

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

Leading Business and Industrial Firms
Located Within Milwaukee County

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

Employer	2011 Employment Estimates	Type of Business or Service
Aurora Health Care	22,000 [1]	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,400 [2]	Government
Milwaukee Public Schools	9,142	Education
Wheaton Franciscan Healthcare	8,356	Health care provider
Froedtert Memorial Lutheran Hospital and Community Health	8,000	Health care provider
Kohl's Corporation	7,700	Specialty department stores
Wal-Mart Stores	7,360	Discount retail stores and warehouse clubs
Roundy's Supermarket	6,800	Retail grocer
Quad Graphics	6,700	Commercial printing
City of Milwaukee	6,400	Government
Milwaukee County	5,457	Government
Northwestern Mutual Life	5,000	Insurance
GE Healthcare Technologies	3,000	Medical imaging, healthcare services
Medical College of Wisconsin	4,877	Medical school/academic/health care
Children's Hospital of Wisconsin	4,604	Health care provider
ProHealth Care, Inc.	4,302	Health care provider
Columbia-St. Mary's	4,190	Health care provider
WE Energies	4,060	Electric/natural gas utility
BMO Financial Group [3]	3,924	Holding company banking/finance and data services
University of Wisconsin-Milwaukee	4,081	Education
Walgreens Co.	3,521	Retail drugstore chain
U. S. Bank	3,467	Finance, banking
Briggs and Stratton	3,000	Manufacturer, small engines, automotive locks and keys
Target Corporation	3,000	Discount department store chain
Rockwell Automation	3,000	Industrial automation, power and control

[1] *Aurora's employee number includes four hospitals, rehabilitation, homecare and hospice facilities and their corporate office within a six-county area in and around the City of Milwaukee.*

[2] *Preliminary. As of June, 2012.*

[3] *Formerly M&I Marshall & Ilsley Bank, acquired by Toronto-based BMO Financial Group. The acquisition was completed in July, 2011.*

Source: The 2012 Business Journal Book of Lists, Employer contacts March 2012 and the U.S. Bureau of Labor Statistics February 2012.

EMPLOYMENT AND INDUSTRY

During 2011, the City's unemployment rate averaged approximately 10.6%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2007 through December 2011.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2011	10.6%	7.9%	7.5%	8.9%
2010	11.5	8.7	8.3	9.6
2009	11.4	8.9	8.7	9.3
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6

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

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
June, 2012	11.2% [(1)]	8.3% [(1)]	7.6% [(1)]	8.4%

[(1)] *Preliminary.*

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

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

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Ten Largest Taxpayers With 2011 Estimated Equalized Valuations

US Bank Corporation	$ 249,092,565
Northwestern Mutual Life Ins.	$ 193,493,375
Mandel Group	$ 106,732,616
Marcus Corp/Milw City Center/Pfister	$ 97,387,873
Metropolitan Associates	$ 94,846,441
NNN 411 East Wisconsin LLC	$ 89,724,353
100 E. Wisconsin-CW Wisconsin Ave. LLC	$ 79,822,218
Towne Realty	$ 75,787,573
Flanders Westborough	$ 56,704,469
875 East Wisconsin-875 East Sponsor LLC	$ 54,442,335

Source: City of Milwaukee, Assessor's Office February 2012.

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DEBT STRUCTURE

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

Legal Debt Limitations

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

Debt Margin
(Includes Series 2012 F9 Bonds and Series 2012 V10 Bonds)[1]

Equalized Value of Taxable Property in the City		$27,954,669,900
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,397,733,495
General Obligation Debt Outstanding subject to 5% Limit as of 07/01/12	$954,355,000	
Plus: Series 2012 F9 Bonds and Series 2012 V10 Bonds	30,000,000	
Less: Provision for current year maturities	(33,030,000)	
Less: Refunded Commercial Paper	(9,800,000)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 07/01/12		$941,525,000
Total Debt Margin for City Borrowing (in Dollars)		$456,208,495
(As a percentage)		32.6%
(As a percentage excluding General Obligation Cash Flow Notes)		39.8%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$559,093,398
General Obligation Debt Outstanding subject to 2% Limit as of 07/01/12	$14,774,150	
Less: Provision for current year maturities	-	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 07/01/12		$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		544,319,248
(As a percentage)		97.4%

[1] The Series 2012 F9 Bonds and Series 2012 V10 Bonds are being offered at the same time under different offering documents.

Debt Refunded

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

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

$113,430,000 General Obligation Promissory Notes, Series 2012 N2, dated May 3, 2012, for the purpose of advance refunding a portion of five general obligation bond issues, with a final escrow payment in 2015, and with Bank of New York Mellon Trust Company as Escrow Trustee.

In the "*DEBT MARGIN*" presentation above, the refunded debt is excluded in the calculation of net general obligation debt outstanding.

Analysis of General Obligation Debt
Outstanding As of July 1, 2012

Tax Increment Districts	$194,267,063
Public Buildings	150,898,922
Schools (5% City Borrowing)	111,418,312
Schools (2% School Purpose Borrowing)	14,774,150
Streets	116,278,603
Finance Real & Personal Property Tax Receivables	56,201,000
Sewers	48,092,838
Blight Elimination/Urban Renewal	31,258,811
Police	30,097,876
Bridges	26,874,567
Water	21,164,749
Fire	18,983,807
Library	13,948,548
Parking	12,380,177
Local Improvement Projects/Special Assessments	10,399,368
Playground/Recreational Facilities	8,341,818
Harbor	3,126,175
Grant & Aid Improvements (City Share)	611,908
Economic Development	4,572
Industrial Land Bank	3,207
Milwaukee Exposition and Convention Center	1,238
Resource Recovery	1,043
Lakefront Development	398
Cash Flow Notes (matures December 2012)	100,000,000
Total	$969,129,150

General Obligation Debt Service Requirements

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

	Total GO Debt Service as of 7/1/12 [1]		Series 2012 F9 Bonds and Series 2012 V10 Bonds		Total Requirements
Year	Principal [2]	Interest [3]	Principal	Interest [4]	After Issuance
2012	$133,030,000	$20,875,497		$ 973,771	$ 154,879,267
2013	115,915,000	36,802,989		2,698,747	155,416,736
2014	95,099,504	32,930,505		2,700,000	130,730,009
2015	83,623,467	29,497,217		2,700,000	115,820,684
2016	80,598,434	25,532,811		2,701,253	108,832,498
2017	72,470,239	22,623,367		2,698,747	97,792,352
2018	74,938,544	18,702,920		2,700,000	96,341,464
2019	58,811,727	16,187,917		2,700,000	77,699,644
2020	52,701,322	14,077,014		2,701,253	69,479,589
2021	43,588,148	11,778,033		2,698,747	58,064,928
2022	35,389,005	10,992,450		2,700,000	49,081,454
2023	31,793,761	9,477,368		2,700,000	43,971,129
2024	26,255,000	4,776,724		2,701,253	33,732,977
2025	22,430,000	3,749,133		2,698,747	28,877,879
2026	15,430,000	2,848,238		2,700,000	20,978,237
2027	11,700,000	1,402,207		2,700,000	15,802,207
2028	4,045,000	152,864		2,701,253	6,899,117
2029	400,000	50,730		2,698,747	3,149,477
2030	350,000	36,680		2,700,000	3,086,680
2031	370,000	22,815		2,700,000	3,092,815
2032	390,000	7,800	$30,000,000	540,000	30,937,800
	$959,329,150	$262,525,276	$30,000,000	$ 52,812,516	$ 1,304,666,942

[1] *Excludes debt to be refunded.*
[2] *Assumes Sinking Fund Deposits in year due.*
[3] *Assumes: the maximum interest rate of 12.0% on $10,000,000 of variable rate debt (the tax levy requirement).*
[4] *Assumes: the maximum interest rate of 9.0% on $30,000,000 of variable rate debt (the tax levy requirement).*

Trends of General Obligation Debt
(Thousands of Dollars)

Year 12/31	Total GO Debt	Self-Sustaining GO Debt *	Levy Supported GO Debt
2007	$747,298	$294,952	$452,346
2008	788,579	291,317	497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634
2011	934,004	373,059	560,945

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

Trends of Self-Sustaining General Obligation Debt

(Thousands of Dollars)

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes [1]	Water	Sewer [2]	Total Self-Sustaining
2007	$143,886	$11,733	$16,458	$28,320	$19,895	$74,661	$294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039
2010	167,944	11,753	11,623	47,575	13,453	90,052	342,400
2011	192,838	12,170	10,462	52,728	22,053	82,807	373,059

[1] Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.
[2] Includes temporary borrowing pending refunding with revenue bonds.

Ratio of General Obligation Debt
To Equalized And Assessed Values And To Per Capita

Year 12/31	Population [1]	Net Equalized Valuation	AV	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2007	590,190	$31,887,192,100	$29,374,372,962	$747,298,112	2.34%	2.54%	$1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59%	1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77%	1,378
2010	580,500	29,520,783,200	28,048,464,348	916,034,150	3.10	3.27%	1,578
2011	595,525	27,954,669,900	27,917,642,983	934,004,150	3.34	3.35%	1,568

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

The 2012 Assessed Valuation of the City is anticipated to decline approximately 9% from the prior year. On August 15, 2012, the State released its estimates for Equalized Values that show a decline for the City of approximately 5.5% to $26.408 billion.

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

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2007	$50,824,739	2.18%	$1,180
2008	50,916,679	2.29	1,248
2009	50,444,955	2.41	1,291
2010	55,453,164	2.92	1,482
2011	57,046,631	3.14	1,475

Computation of Net Direct and Overlapping Debt
JULY 1, 2012

Governmental Unit	Debt Outstanding As of July 1, 2012	Percentage Applicable	City of Milwaukee's Share of Debt As of July 1, 2012
City of Milwaukee [1]	$969,129,150	100.00%	$969,129,150
Area Board of Vocational, Technical and Adult Education, District No. 9	96,060,000	37.34	35,868,804
County of Milwaukee	614,819,152	45.75	281,279,762
Milwaukee Metropolitan Sewerage District [2]	949,209,951	46.78	444,040,415
TOTAL NET DIRECT AND OVERLAPPING DEBT	$2,629,218,253		$1,730,318,131

[1] Includes $126 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

[2] Includes approximately $652,829,951 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

Future Financing

The City is concurrently offering $15,000,000 of Series 2012 F9 Bonds, and $15,000,000 of Series 2012 V10 Bonds under separate offering document. After the issuance of the Series 2012 F9 Bonds and Series 2012 V10 Bonds, the City will have $384 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has $250 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The authorized unissued general obligation debt includes $67 million for sewer purposes. The City also has $42 million outstanding of 2012 EMCP Notes (defined under the caption "DEBT STRUCTURE; Commercial Paper Program") for Sewer Purposes. The 2012 EMCP Notes for Sewer Purposes are issued on a temporary basis, and are planned to be permanently financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The remaining portion will be financed on a long-term basis with general obligation debt.

See "DEBT STRUCTURE; City Capital Improvements Plan" herein for information on potential future capital needs.

City Capital Improvements Plan

The City's 2012-2017 Draft Capital Improvement Plan ("CIP") outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public School, but are not included in the CIP.

The six-year CIP plan totals $988 million. About $652 million, or 66% of the planned spending, is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). Approximately 66% ($654 million) is anticipated to be borrowed with General Obligation debt, with the balance ($334 million) being borrowed with revenue debt.

Purpose	Amount ($Millions)
Transportation	$323
Environment	334
Economic Development	179
Public Safety	64
Miscellaneous	88
Total	$988

Commercial Paper Programs

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

In anticipation of the expiration of the letter of credit securing the 2008 CP Notes, the City authorized the issuance of Extendable Municipal Commercial Paper ("EMCP") with the Extendable Municipal Commercial Paper Notes, 2012 Program Series C6, Series R7, and Series T8 (Taxable) (the "2012 C6 Notes", "2012 R7 Notes", and "2012 T8 Notes" respectively, and together, the "2012 EMCP Notes"). Any combination of 2012 C6 Notes, 2012 R7 Notes, and 2012 T8 Notes, up to an aggregate total of $200,000,000, is authorized to be outstanding at any time. The 2012 EMCP Notes are not general obligation debt of the City and are secured by pledge to issue general obligation debt to refinance principal and interest. In the event a 2012 EMCP Note is not able to be rolled on its original maturity date, the maturity date of the 2012 EMCP Note may be extended a minimum of 90 days in order to give the City time to perform the refunding.

The 2008 CP Notes and 2012 EMCP Notes may be issued at any time for any purpose, including the purposes described under the caption "DEBT STRUCTURE; Future Financing". The primary purpose of the 2008 CP Notes and 2012 EMCP Notes program is to provide interim financing for expenditures pending the City's next long-term financing and short-term cash flow needs. As of July 1, 2012, the City had $19,800,000 of 2008 C2 Notes, $32,000,000 of 2012 C6 Notes, and $50,000,000 of 2012 R7 Notes outstanding. $9,800,000 of the 2008 C2 Notes are planned to be refinanced with the Series 2012 F9 Bonds and Series 2012 V10 Bonds, and $10,000,000 of the 2008 C2 Notes were refinanced with 2012 C6 Notes in August, 2012.

Auction Rate and Other Variable Rate Exposure

The City has no outstanding Auction Rate securities. The City has the 2008 CP Notes, and 2012 EMCP Notes programs as described in the previous section. The Series 2012 F9 Bonds that has a rate tied to a floating rate index (SIFMA) without an option of the bondholder to put the bond prior to the initial tender date in 2016. The Series 2012 V10 Bonds are Extendable 7-Day Variable Rate Demand Bonds, and if tendered by the bondholder, the City may extend the tender date to 180 days in order to give the City time to remarket/refund the bonds.

It is anticipated that, over time, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the MPS, issued $130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds ("IB") whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bond owners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk.

REVENUE BONDING

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

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2011, the outstanding balance was $7.5 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of $29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional $33,885,000 of Sewerage System Revenue Bonds. In 2011, the City issued $52,565,000 of refunding and new money Sewerage System Revenue Bonds. As of December 31, 2011, total outstanding Sewerage System Revenue Bonds was $62 million with a final maturity in 2031.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2011, the City had $80.5 million outstanding under the Program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. See "DEBT STRUCTURE; Future Financing."

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

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

Housing Authority of the City of Milwaukee — Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for "stand-alone" projects. The Housing Authority bonds and notes are limited obligations of the Housing Authority and are neither 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 1983 and December 1, 2011, the Housing Authority issued revenue bonds of approximately $149 million, of which approximately $8.990 million are still outstanding.

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

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

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

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

As of December 31, 2011, the Redevelopment Authority had outstanding: two bond issues with $36,490,000 outstanding that have a Moral Obligation Pledge of the City; and $253,939,122 in six bond issues for MPS, one secured by a lease, and five secured by loan agreement, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. See "DEBT STRUCTURE; Tax Increment District Financing".

Milwaukee Economic Development Corporation As of December 31, 2011, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,080 small businesses and redevelopment projects utilizing $260.9 million to leverage a total of $1.299 billion in investment. 954 loans have been enrolled in the Capital Access Program with covered loan amounts totaling $53.1 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 $9.5 million as of December 31, 2011.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over $60 million in bonds have financed projects located within tax increment districts ("TID") of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2011, $193 million general obligation bonds for TID purposes were outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately $42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of $20 million, has the Moral Obligation Pledge of the City. 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 2011 Assessed Tax Rate for Milwaukee Public Schools is $11.11 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 TID 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 under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the City's general property tax levy.

FINANCIAL INFORMATION

Budgeting

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

Adopted Budget - Combined Revenues - 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	$115,230,737	—	$68,736,570	$1,025,000	—	$184,992,307
Provision for Empl Retirement [1]	58,016,150	—	—	—	—	58,016,150
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	178,246,887	—	68,736,570	1,025,000	—	248,008,457
Revenues						
Taxes	16,147,300	—	—	—	—	16,147,300
Licenses and Permits	12,647,600	—	—	—	—	12,647,600
Intergovernmental Revenues	259,851,500	63,846,247	—	—	—	323,697,747
Charges for Service	133,120,514	—	—	—	—	133,120,514
Fines and Forfeitures	5,304,000	—	—	—	—	5,304,000
Miscellaneous Revenues	3,710,825	12,300,000	—	—	—	16,010,825
Fringe benefits [2]	25,000,000	—	—	—	—	25,000,000
Parking	22,410,157	—	2,170,000	5,000,000	15,866,843	45,447,000
Water Works	—	—	5,870,907	630,000	78,356,093	84,857,000
Sewer Maintenance Fund	12,734,075	—	11,408,929	6,440,000	25,219,115	55,802,119
Retained Earnings	—	—	—	—	9,734,527	9,734,527
Sinking Fund	—	—	64,058,277	—	—	64,058,277
Cash Flow borrowings	—	—	125,000,000	—	—	125,000,000
Special Assessments	—	7,703,639	—	1,065,600	—	8,769,239
Capital Revenue	—	—	—	15,058,000	—	15,058,000
Total Revenues	490,925,971	83,849,886	208,508,113	28,193,600	129,176,578	940,654,148
Tax Stabilization						
Transfer from Reserves	13,767,000	—	—			13,767,000
Sale of Bonds and Notes						
General City	—	—	—	96,308,100	—	96,308,100
Enterprise Funds	—	—	—	46,990,000	—	46,990,000
Grand Total	$682,939,858	$83,849,886	$277,244,683	$172,516,700	$129,176,578	$1,345,727,705

[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 – 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	$ 9,480,298	—	—	$600,000	—	$10,080,298
Assessor's Office	4,627,225	—	—	—	—	4,627,225
City Attorney	7,629,058	—	—	—	—	7,629,058
City Treasurer	3,063,379	—	—	—	—	3,063,379
Common Council - Clerk	8,555,215	—	—	40,000	—	8,595,215
Municipal Court	3,505,745	—	—	—	—	3,505,745
Comptroller	5,652,900	—	—	—	—	5,652,900
Dept of City Development	4,682,014	—	—	29,176,000	—	33,858,014
Election Commission	2,912,189	—	—	—	—	2,912,189
Employee Relations, Dept of	4,541,064	—	—	—	—	4,541,064
Fire and Police Commission	1,300,016	—	—	—	—	1,300,016
Fire Department	105,025,041	—	—	3,424,000	—	108,449,041
Health Department	13,161,487	—	—	450,000	—	13,611,487
Library Board	22,699,974	—	—	2,577,000	—	25,276,974
Mayor's Office	1,215,279	—	—	—	—	1,215,279
Neighborhood Services	17,236,668	—	—	—	—	17,236,668
Police Department	236,229,306	—	—	1,502,000	—	237,731,306
Port of Milwaukee	5,018,503	—	—	225,000	—	5,243,503
DPW-Administration	4,533,496	—	—	1,220,000	—	5,753,496
DPW-Infrastructure	39,508,604	—	—	52,981,700	—	92,490,304
DPW-Operations	79,476,499	—	—	10,239,000	—	89,715,499
Water Works	—	—	5,870,907	9,320,000	82,125,061	97,315,968
Sewer Maintenance Fund	—	—	11,408,929	43,950,000	26,592,120	81,951,049
Special Purpose Accounts	163,659,514	—	—	—	—	163,659,514
Pension Funds	87,566,061	—	—	—	—	87,566,061
Debt Service - City	—	—	132,794,847	—	—	132,794,847
Debt Service - Schools	—	—		—	—	—
Debt Service - Cash Flow	—	—	125,000,000	—	—	125,000,000
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	12,300,000	—	—		12,300,000
Parking	—	—	2,170,000	5,790,000	20,459,397	28,419,397
Grant & Aid Fund	—	63,846,247	—	—	—	63,846,247
Special Capital Projects	—	—	—	11,022,000	—	11,022,000
Economic Development	—	7,703,639	—	—	—	7,703,639
Fringe Benefit Offset [1]	(153,339,677)	—	—	—	—	(153,339,677)
Grand Total	$682,939,858	$83,849,886	$277,244,683	$172,516,700	$129,176,578	$1,345,727,705

[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.

CITY OF MILWAUKEE

GENERAL FUND - PROJECTED CASHFLOW SUMMARY (as of April 11, 2012)

(Millions of Dollars)

JANUARY 1, 2012 to DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	**81.374**	**118.797**	**21.050**	**(16.657)**	**5.872**	**82.196**	**16.041**	**39.470**	**9.133**	**10.852**	**(0.470)**	**136.679**	
RECEIPTS													
Property Taxes	2.764	8.067	5.098	6.733	7.629	8.184	52.481	10.440	14.434	13.513	1.237	83.302	213.882
State Aids													
Shared Revenue	-	-	-	-	-	-	41.090	-	-	-	185.717	-	226.807
Highway Aids	6.176	-	-	6.170	-	-	6.960	-	-	6.170	-	-	25.476
Payment Muni. Services	-	1.912	-	-	-	-	-	-	-	-	-	-	1.912
Computer Exemption Aid	-	-	-	-	-	-	3.900	-	-	-	-	-	3.900
Other	9.550	5.674	14.152	7.474	10.236	13.117	13.005	15.185	9.282	14.076	9.477	9.580	130.808
Delinquent Taxes Transfer	31.404	-	-	-	-	-	-	-	-	-	-	-	31.404
Pension Fees	2.234	-	0.487	-	2.392	3.154	1.018	2.632	1.695	0.879	2.691	1.163	18.345
City Services Fees	3.075	2.340	2.432	1.846	2.376	1.805	2.147	2.556	2.128	3.093	4.927	3.180	31.905
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	12.668	12.668
Parking Transfers	-	-	-	-	-	10.205	-	-	-	-	-	10.205	20.410
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.351	1.351
Street Sweeping	-	-	-	-	-	6.070	-	-	-	-	-	6.070	12.140
Vehicle Registration Fee	0.378	0.630	0.378	0.378	0.630	0.630	0.630	0.567	0.567	0.567	0.567	0.378	6.300
Potawatomi PILOT	-	-	-	-	-	-	-	5.500	-	-	-	-	5.500
Year End Transfers	34.218	-	-	-	-	-	-	-	-	-	-	-	34.218
Note Proceeds [1]	-	-	-	50.000	100.000	-	-	-	20.000	-	-	-	170.000
TOTAL RECEIPTS	**89.799**	**18.623**	**22.547**	**72.601**	**123.263**	**43.165**	**121.231**	**36.880**	**48.106**	**38.298**	**204.616**	**127.897**	**947.026**

Maximum deficit occurs in July and November.

[1] *Includes the CFNs, and anticipated commercial paper for cash flow purposes.*

(Continued)

CITY OF MILWAUKEE

GENERAL FUND - PROJECTED CASHFLOW SUMMARY (as of April 11, 2012)

(Millions of Dollars)

JANUARY 1, 2012 to DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	39.205	42.281	51.381	38.019	37.720	38.222	38.530	51.528	38.728	39.121	38.718	39.896	493.349
Services & Supplies	13.171	12.650	8.873	12.053	9.219	11.470	9.272	15.689	7.659	10.499	8.749	6.980	126.284
Employer Pension Contribution	-	25.000	-	-	-	-	-	-	-	-	-	-	25.000
Purchase Tax Delinquents	-	36.439	-	-	-	-	-	-	-	-	-	-	36.439
Contractual Tax Payment	-	-	-	-	-	59.628	-	-	-	-	-	-	59.628
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	29.300	29.300
Note Principal Repayment [1]	-	-	-	-	-	-	50.000	-	-	-	20.000	100.000	170.000
TOTAL DISBURSEMENTS	**52.376**	**116.370**	**60.254**	**50.072**	**46.939**	**109.320**	**97.802**	**67.217**	**46.387**	**49.620**	**67.467**	**176.176**	**940.000**
BALANCE	**118.797**	**21.050**	**(16.657)**	**5.872**	**82.196**	**16.041**	**39.470**	**9.133**	**10.852**	**(0.470)**	**136.679**	**88.400**	

[1] *Includes the CFNs, and anticipated commercial paper for cash flow purposes.*

CITY OF MILWAUKEE

GENERAL FUND

Projected Schedule of Cash Receipts and Disbursements (as of April 11, 2012)

For the Year Ended December 31, 2012

(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding RAN and CP
January	$81.374	$89.799	$52.376	$118.797	$118.797
February	118.797	18.623	116.370	21.050	$21.050
March	21.050	22.547	60.254	(16.657)	($16.657)
April	(16.657)	72.601	50.072	5.872 [1]	($44.128)
May	5.872	123.263	46.939	82.196 [1]	($67.804)
June	82.196	43.165	109.320	16.041	($133.959)
July	16.041	121.231	97.802	39.470 [2]	($60.530)
August	39.470	36.880	67.217	9.133	($90.867)
September	9.133	48.106	46.387	10.852 [1]	($109.148)
October	10.852	38.298	49.620	(0.470)	($120.470)
November	(0.470)	204.616	67.467	136.679 [2]	$36.679
December	136.679	127.897	176.176	88.400 [2]	$88.400
		$947.026	$940.000		

[1] Balance includes RAN and CP principal receipts.

[2] Balance includes RAN and CP principal repayments.

CITY OF MILWAUKEE

GENERAL FUND

Schedule of Cash Receipts and Disbursements (as of April 11, 2012)

For the Year Ended December 31, 2011

(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	$56.982	$102.292	$54.588	$104.686
February	104.686	17.354	94.906	27.134
March	27.134	40.496	64.999	2.631
April	2.631	25.228	51.376	(23.517)
May	(23.517)	68.323 [1]	48.413	(3.607)
June	(3.607)	142.293 [1]	157.288 [2]	(18.602)
July	(18.602)	123.021	49.036	55.383
August	55.383	36.321	58.615	33.089
September	33.089	28.648	58.766	2.971
October	2.971	38.956	67.931	(26.004)
November	(26.004)	212.644	50.829	135.811
December [3]	135.811	130.275	184.712 [2]	81.374
		$965.851	$941.459	

Notes:
[1] $46 million of CP were issued in May, and $100 million of RANs were issued in June
[2] $46 million of CP were repaid in June, and $100 million of RANs were repaid in December
[3] Estimated.

CITY OF MILWAUKEE

Schedule of Cash and Investment

Balances - All Funds (as of April 11, 2012)

2011

(Millions of Dollars)

	General Fund [1]	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds [2]	Total
January	$104.686	$261.005	$40.899	$145.688	$552.278
February	27.134	192.825	41.305	106.365	367.629
March	2.631	173.592	41.746	203.221	421.190
April	(23.517)	170.602	42.270	95.520	284.875
May	(3.607)	162.758	42.606	10.568	212.325
June	(18.602)	227.212	43.105	95.736	347.451
July	55.383	224.261	43.493	58.282	381.419
August	33.089	218.555	43.910	40.074	335.628
September	2.971	209.228	44.372	46.374	302.945
October	(26.004)	257.359	44.866	47.378	323.599
November	135.811	235.933	45.315	137.465	554.524
December (estimate)	81.374	215.476	46.201	425.808	768.859

[1] Balances include proceeds from the sale of the RANs and subsequent principal payment.
[2] Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

CITY OF MILWAUKEE

Projected Schedule of Cash and Investment

Balances - All Funds (as of April 11, 2012)

2012

(Millions of Dollars)

	General Fund [1]	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds [2]	Total
January	$118.797	$220.975	$43.080	$148.072	$530.924
February	21.050	207.381	53.858	99.887	382.176
March	(16.657)	200.944	54.183	189.090	427.560
April	5.872	211.513	55.729	87.572	360.686
May	82.196	194.319	55.415	8.381	340.311
June	16.041	196.103	66.941	89.786	368.871
July	39.470	197.283	73.891	55.994	366.638
August	9.133	181.864	73.549	37.707	302.253
September	10.852	150.006	71.826	43.631	276.315
October	(0.470)	176.555	65.039	44.578	285.702
November	136.679	169.426	55.195	129.630	490.930
December	88.400	182.420	50.034	414.060	734.914

[1] Balances include proceeds from the sale of the RANs and subsequent principal payment.
[2] Agency Funds includes Milwaukee Public Schools.
This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

Budgetary Comparison Schedule - General Fund
For The Years Ending December 31, 2006 Through 2010
(Thousands of Dollars)

Revenues:	2006	2007 [1]	2008	2009	2010
Property Taxes	$141,102	$137,253	$141,573	$156,410	$168,031
Other Taxes	5,202	5,311	4,839	3,504	5,097
Licenses and Permits	13,729	13,704	12,918	12,186	12,948
Intergovernmental	272,417	272,539	271,100	272,337	270,939
Charges for Services	73,528	76,496	86,410	91,057	97,146
Fines and Forfeitures	5,541	5,800	5,277	4,802	5,422
Other	17,353	18,883	12,864	19,967	20,323
TOTAL GENERAL FUND REVENUES	528,872	529,986	534,981	560,263	579,906
Tax Stabilization Fund Withdrawals	16,328	23,175	29,457	22,379	13,070
Other Financing Sources and Equity					
Transfers (Net)	37,761	43,224	40,234	46,896	49,640
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	582,961	596,385	604,672	629,538	642,616
Expenditures:					
General Government	178,004	201,021	199,004	202,066	253,328
Public Safety	250,672	257,137	266,370	276,060	264,067
Public Works	86,482	93,956	103,149	97,093	94,482
Health	10,428	10,359	10,118	10,446	9,996
Culture and Recreation	17,882	17,548	16,782	17,329	15,656
Conservation and Development	3,217	3,279	3,456	4,230	3,747
TOTAL EXPENDITURES	546,685	583,300	598,879	607,224	641,276
SOURCES OVER (UNDER) EXPENDITURES	36,276	13,085	5,793	22,314	1,340
Fund Balance - January 1 (excludes reserved for use during the year)	68,899	82,000	65,628	49,042	58,286
Fund Balance - December 31	105,175	95,085	71,421	71,356	59,626
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	15,616	21,376	22,865	21,919	8,144
Reserved for Inventory	6,886	6,252	7,248	6,827	7,220
Reserved for Mortgage Trust	280	218	173	141	135
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	23,175	29,457	22,379	13,070	14,600
Reserved for Subsequent Years' Budget	58,915	37,479	18,453	29,096	29,224
TOTAL FUND BALANCE	$105,175	$95,085	$71,421	$71,356	$59,626

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

CITY OF MILWAUKEE
Assessed and Equalized Valuations

	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes
Real Property					
Residential	$18,753,914,925	$19,173,232,823	$17,743,825,065	$17,156,626,561	$17,069,535,250
Industrial (Manufacturing)	726,692,200	772,959,900	732,007,800	732,279,700	746,955,100
Mercantile (Commercial)	8,950,205,395	9,483,547,328	9,485,580,238	9,202,213,459	9,191,348,932
Total Real Property	$28,430,812,520	$29,429,740,051	$27,961,413,103	$27,091,119,720	$27,007,839,282
Personal Property	943,560,442	1,001,936,153	983,160,269	957,344,628	909,803,701
Total Assessed Valuations	$29,374,372,962	$30,431,676,204	$28,944,573,372	$28,048,464,348	$27,917,642,983
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	$31,887,192,100	$32,257,525,000	$31,266,329,200	$29,520,783,200	$27,954,669,900
Ratio of Assessed to Equalized Valuation	92.12%	94.34%	92.57%	95.01%	99.87%

The 2012 Assessed Valuation of the City is anticipated to decline approximately 9% from the prior year. On August 15, 2012, the State released its estimates for Equalized Values that show a decline for the City of approximately 5.5% to $26.408 billion.

CITY OF MILWAUKEE
Assessed Tax Rates
(Per $1,000 of Assessed Valuation)

Levy Year	2007	2008	2009	2010	2011
Collection Year	2008	2009	2010	2011	2012
Unit of Government					
City Government	$7.99	$8.01	$8.09	$9.12	$9.25
Milwaukee Public Schools	8.04	8.84	9.82	10.85	11.11
Milwaukee County	4.37	4.41	4.38	4.87	4.89
Milwaukee Area Technical College	1.89	1.92	1.94	2.02	1.95
Milwaukee Metropolitan Sewerage District	1.39	1.39	1.37	1.52	1.51
Gross Tax Rate Per $1,000	23.68	$24.57	$25.60	$28.38	$28.71
Less: State Tax Credit	($1.27)	($1.43)	($1.57)	($1.81)	($1.81)
Net Tax Rate	$22.41	$23.14	$24.03	$26.57	$26.90

CITY OF MILWAUKEE
Property Tax Levies and Collections
($ Amounts in Thousands)

Budget	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
Year	Levy	Collections	% of Levy	Amount	% Collected
2007	$265,319	$257,347	97.00%	$5,616	99.85%
2008	286,180	277,119	96.83	7,573	99.82
2009	276,186	265,691	96.20	8,556	99.43
2010	291,943	281,099	96.29	8,919	98.37
2011	295,967	284,489	96.12	0	96.12

Collection Procedures

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

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

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

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

The rate of current tax collections continues at an historically high level. Current collections for 2011 were approximately 96.1% 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 maintains a wharfinger's liability policy on its port with coverage up to $10 million and a deductible of $500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM SUMMARY

EMPLOYES' RETIREMENT SYSTEM

The Employes' Retirement System (ERS) of the City is established pursuant to Section 36 of the Milwaukee City Charter. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

ERS Membership
As of December 31, 2011

Class	Vested	Non-Vested	Inactive	Retired
General & Elected	6,545	1,427		8,501
Police	1,782	140		2,214
Firefighters	765	108		1,222
Certain pre-1996				23
Total	9,092	1,675	4,127	11,960

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2012.

The primary benefit of the ERS is a defined benefit plan with eligible employees earning a Retirement Allowance for each year of service. Funding for the ERS is derived from Member and actuarially required employer contributions. Current Retirement Allowance accrual rates and Member contributions to the system (expressed as a percentage of compensation) are as follows:

Basic Benefit Accrual Rates and Member Contributions

Class	Retirement Allowance	Maximum Allowance	Member * Contribution
General, and Mayor	2.0%	70%	5.5%
Elected Officials, excluding the Mayor	2.5%	None	7.0%
Police	2.5%	90%	7.0%
Firefighters	2.5%	90%	7.0%

* For employees hired prior to January 1, 2010, in addition to paying the actuarially-required employer contribution, the City makes the Member contribution on behalf of the employee. 2011 Wisconsin Act 10 provides that all state and local public employees make an employee contribution, except as otherwise provided under collective bargaining agreements. The City Attorney and independent outside counsel have advised the City that the City's Home Rule status, a 2000 Global Pension Settlement, and prior state statutes, create contractual pension rights for City employees which supersede the employee contribution requirement of 2011 Wisconsin Act 10. As a result, the City has continued to make the Member contribution on behalf of City employees hired prior to 2010.

Schedule of Funding Progress
($ amounts in thousands)

Valuation As of Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	$4,404,635	$4,587,915	$183,280	96.0%	$525,181	34.9%
2010	4,641,425	4,447,548	-	104.4	538,218	0.0
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0

Schedule of Employer Contributions
($ amounts in thousands)

Year Ended Dec 31	Annual Actuarially Required Contribution	Percentage Contributed
2011	$31,402	0%
2010	1,450	0
2009	60,098	100
2008	-	n/a
2007	-	n/a

Source: Tables 11a and 11b of the Actuarial Valuation Report as of January 1, 2012.

Actuarial Assumptions and Methods include:

Actuarial Cost Method: Projected Unit Credit
Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year
Remaining Amortization Period: 22 years
Asset Valuation Method: 5-year smoothed market, 20% corridor
Investment Rate of Return: 8.5% average
Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%
Inflation Assumption: 3.0%
Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see http://www.cmers.com. The Employes' Retirement System Actuarial Valuation Report as of January 1, 2012 is available from EMMA and is hereby incorporated by reference.

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. There are approximately 60 members or their spouses currently receiving benefits under the Fund program.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, 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 ceased its activities and the Firemen's Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under $3,000,000.

POLICEMEN'S ANNUITY AND BENEFIT FUND

Membership in the Policemen's Annuity and Benefit Fund (PABF) consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2011, there were 23 members and 47 spouses receiving benefits under the fund program.

Current funding is derived from employer contributions. Chapter 35 of the City Charter provides that annual contributions consist of: 1) an amount sufficient to amortize the unfunded actuarial liability over a ten-year period with a series of level dollar payments; and 2) budgeted administrative expenses for the year.

For copies of the PABF actuarial reports, see http://www.cmers.com

Schedule of Funding and Contributions
($ amounts in thousands)

Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2011	$1,008	$2,451	$1,444	41.1%	$0.209	100%
2010	1,584	2,946	1,362	53.8	0.269	100
2009	1,936	3,687	1,751	52.5	0.330	100
2008	2,147	4,296	2,148	50.0	0.041	100
2007	4,779	5,049	270	94.7	0.057	100

Source: Policemen's Annuity and Benefit Fund, Actuarial Valuation Reports as of January 1, 2012 (and each prior year). Summary of Principal Results.

OTHER POST-EMPLOYMENT BENEFITS

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. A single-employer defined benefit healthcare plan and life insurance plan are sponsored by the City and administered by the Employes' Retirement System (ERS). The City provides medical insurance benefits for substantially all retirees. Retiree coverage begins at age 55 with at least 15 years of service for General City employees, at any age with at least 25 years of service for Police employees, and at age 49 with at least 22 years of service for Fire employees. In addition, the City allows employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees.

Until age 65, for retirees with at least 15 years of creditable service, the majority of the cost of the health benefit plan is paid by the City. After attaining the age of 65, and having completed a minimum of 15 years of creditable service, the City pays 25% of the applicable HMO premium, or 25% of the base rate (0% of the major medical rate) of the City's Basic Plan.

Eligible retirees are able to continue coverage under the City's Group Life Insurance Plan, and pay the same rate as active employees. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching age 65, their coverage will be reduced in accordance with a reduction schedule, with the City assuming all future premiums.

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately $33.2 million and $1.3 million, respectively, towards medical and life insurance for retirees.

The actuarial cost of health benefits and life insurance for retirees exceeds the average amount paid by retirees, therefore, the additional cost is paid by the City and is the basis for the OPEB obligation account for under GASB 45.

Funding Status and Funding Progress
($ amounts in thousands)

Annual Required Contribution (ARC)	$71,883
Interest on Net OPEB	7,846
Adjustment to ARC	(6,658)
Annual OPEB Cost	73,071
Contributions Made	34,545
Increase in net OPEB Obligation	38,526
Net OPEB Obligation – beginning of year	174,360
Net OPEB Obligation – end of year	$212,886

Source: City's 2011 CAFR

Annual Cost and Net OPEB Liability
($ amounts in thousands)

Year Ended Dec 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$73,071	47.3%	$212,886
2010	81,311	41.8	174,360
2009	77,389	37.1	127,074
2008	73,100	45.0	78,400
2007	67,600	43.5	38,200

Source: City's 2011 and 2009 CAFRs

Schedule of Funding Progress
($ amounts in thousands)

Valuation As of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Jan 1, 2011	$0	$ 916,383	$ 916,383	0.00%	$407,840	225%
Jan 1, 2010	0	1,007,573	1,007,573	0.0	413,648	244
Jan 1, 2009	0	959,562	959,562	0.0	419,811	229
July 1, 2008	0	880,700	880,700	0.0	425,400	207
July 1, 2007	0	806,300	806,300	0.0	412,700	195

Source: City's 2011, 2010, 2009, 2008, and 2007 CAFRs

Actuarial Assumptions and Methods include:

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

APPENDIX B

Audited Annual Financial Report of the City of Milwaukee, Wisconsin for the Year Ended December 31, 2010

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report for the year ended December 31, 2011, including the City's audited financial information for the year ended December 31, 2011, is available from EMMA and is hereby incorporated by reference.

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

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INTRODUCTORY SECTION

Pages 2-14 Omitted

KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Honorable Members
Common Council
City of Milwaukee, Wisconsin:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The

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purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress on pages 17 through 31, page 98, and page 99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, the miscellaneous financial data, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

As discussed in note 1S to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* during the year ended December 31, 2011.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2012

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City of Milwaukee's (City's) management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes MD&A. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2011 by $929 million (net assets); $237 million in governmental activities and $692 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of $318 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 2% compared to the previous year of $950 million.

- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale. Total net assets comprise the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – $964 million.
  - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – $225 million.
  - Unrestricted net assets – $(260) million.

- The City's total 2011 year-end other post-employment benefits (OPEB) obligation is $213 million; an increase of 21% from the 2010 obligation of $174 million. The obligation is based on an actuarial valuation as of January 1, 2011, which indicates the 2011 actuarial accrued liability for benefits was $916 million over a 30-year amortization period.

- Total liabilities of the City increased by $87 million to $1,966 million. The long-term portion of total liabilities ($1,396 million) consists of $213 million for OPEB, $1,111 million for outstanding debt and $72 million for compensated absences, claims, and judgments.

- City governmental expenses exceeded combined program revenues by $694 million General revenues and transfers of $658 million resulted in a $36 million decrease of net assets for the year. Business-type activities produced an increase of net assets of 2% over 2010, generating a net change of $15 million in 2011.

- For governmental activities, program revenue supported 23% of the total expenses for 2011. Property taxes and other taxes financed 30% of the primary government's governmental activities' expenses, state aids for the General Fund funded 30%, and miscellaneous revenues and transfers supported 12% of the expenses. Total revenues and transfers were less than expenses by 5% in 2011.

- For business-type activities, program revenue supported 130% of the expenses for 2011; and, in total exceeded the expenses by $55 million. Miscellaneous revenue and transfers reduced this excess by $40 million to result in a $15 million increase for the year.

- The City's total governmental funds reported total ending fund balances of $301 million this year. Compared to the prior year ending fund balance of $264 million, an increase of $37 million resulted by year end 2011; a 14% increase.

- The General Fund balance at year-end 2011 totaled $72 million – a $12 million increase compared to 2010 (20%). This ending Fund Balance is about 1% of combined General Fund expenditures and transfers disbursed for the year.

- The operating expenditures of the General Fund were $10 million less than budgeted. This favorable variance is a result of savings from general government departments of $8 million, public safety departments of $1 million, and a combined savings of $1 million in other departments. The combined savings from the general government departments of Comptroller, Treasurer, Employees' Retirement and Employees Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts, and, thus saved $2 million for the year. In addition, savings of $2 million was realized in departmental salary accounts; $1 million in

workers compensation account and $2 million in pension contributions. The remaining $3 million in the aggregate from all other operating accounts of other departments.

- Outstanding General Obligation bonds and notes payable increased by $21 million during the current fiscal year from $894 million to $915 million. This increase results from early retirement of General Obligation debt of $402 million and issuance of $423 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools.

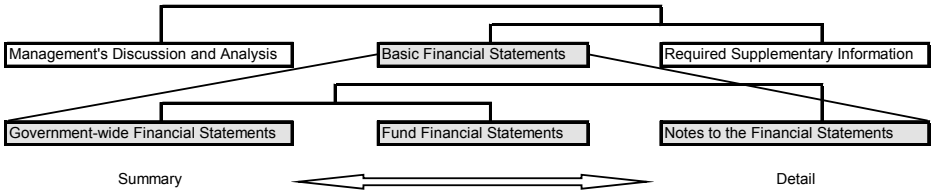
- The City issued General Obligation Cash-flow Promissory Notes for $100 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1

COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements include two kinds of statements.

- Government-wide financial statements that provide both long-term and current period information about the City's overall financial status.
- "Fund" specific financial statements that focus on individual components of City government, reporting the City's operations in more detail than the government-wide statements.
  - Governmental fund statements tell how general government services such as public safety were financed in the past year as well as what remains for future spending.
  - Proprietary fund statements offer current year and long-term financial information about business-type activities such as the water utility and the sewer maintenance systems.
  - Fiduciary fund statements provide financial information about certain operations—such as benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

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

FIGURE A-2

MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- The *component units* include five other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation, Neighborhood Improvement Development Corporation and the Century City Redevelopment Corporation. Although legally independent entities, these organizations are closely related to the City of Milwaukee in terms of their respective financial and public policy responsibilities.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant financial components of the municipality as opposed to the City as a whole. These individual funds are established for the purpose of executing specific activities and objectives in accordance with Federal, State and local laws and regulations.

The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

The City reports financial activity and status according to three fund types: governmental, proprietary and fiduciary funds.

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. This required supplementary information is presented in Exhibits E-1. A *Schedule of Funding Progress* relating to retiree health and life insurance is depicted in Exhibit E-2.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current and other assets	$ 888,034	$ 917,918	$ 117,622	$ 123,281	$ 1,005,656	$ 1,041,199
Capital assets	985,504	990,822	837,899	862,923	1,823,403	1,853,745
Total assets	1,873,538	1,908,740	955,521	986,204	2,829,059	2,894,944
Long-term obligations	1,072,207	1,144,531	224,791	251,894	1,296,998	1,396,425
Other liabilities	528,317	527,156	53,925	42,456	582,242	569,612
Total liabilities	1,600,524	1,671,687	278,716	294,350	1,879,240	1,966,037
Net assets:						
Invested in Capital assets, net of related debt	360,132	345,061	608,733	618,625	968,865	963,686
Restricted	197,634	210,066	11,409	15,034	209,043	225,100
Unrestricted	(284,752)	(318,074)	56,663	58,195	(228,089)	(259,879)
Total net assets	$ 273,014	$ 237,053	$ 676,805	$ 691,854	$ 949,819	$ 928,907

Net assets of the City's governmental activities decreased 13% to $237 million for 2011. The portion of these net assets restricted as to use totaled $210 million. Net assets invested in capital facilities (buildings, roads, bridges, etc.) totaled $345 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit of $318 million at the end of 2011 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net assets of business-type activities increased 2% to $692 million in 2011. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 6% and for business-type activities increased 12% from 2010 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased $66 million or 2% from 2010. Capital assets of the primary government increased 2% from the previous year due to several completed major street projects by the State of Wisconsin. For 2011, capital assets of the Water Works and the Sewer Maintenance Funds comprise 93% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (47%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (46%) includes local sewer mains and connections.

Changes in net assets. Total annual City revenues less expenses yield the change in net assets. The City's program and general revenues totaled $823 million for governmental activities. Forty-six percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 33% is derived from property and other taxes. Charges for services represent 13% of total revenues, and the remaining 8% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with $327 million (36%) related to public safety (fire and police, neighborhood services). General government expenditures total $245 million (27%) while public works expenditures total $167 million (18%). Program specific revenues generated only about one-eighth of the revenue needed to support the cost of governmental activities. General revenues (taxes, State aids, and miscellaneous) provide the remaining funds.

Total governmental activities expenditures exceeded revenues and transfers by $36 million (3%). For business-type activities revenues exceeded its expenditures and transfers by $15 million (8%). However, prior to the transfer of $44 million from business type funds to governmental funds, business type funds showed a $59 million excess of revenues over expenses while governmental activities showed a $80 million gap of revenues below expenses. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict this comparison by major function.

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

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for services	$ 97,146	$ 103,493	$ 226,139	$ 233,126	$ 323,285	$ 336,619
Operating grants and contributions	95,018	102,698	-	-	95,018	102,698
Capital grants and contributions	57,739	2,724	3,094	4,393	60,833	7,117
General revenues:						
Property taxes and other taxes	283,442	276,168	-	-	283,442	276,168
State aids for General Fund	270,939	273,240	-	-	270,939	273,240
Miscellaneous	179,057	64,214	1,085	3,932	180,142	68,146
Total revenues	983,341	822,537	230,318	241,451	1,213,659	1,063,988
Expenses						
General government	259,420	245,191	-	-	259,420	245,191
Public safety	326,366	326,879	-	-	326,366	326,879
Public Works	168,699	166,787	-	-	168,699	166,787
Health	23,360	21,137	-	-	23,360	21,137
Culture and recreation	21,075	19,864	-	-	21,075	19,864
Conservation and development	66,758	67,171	-	-	66,758	67,171
Capital contribution to Milwaukee Public Schools	91,161	4,386	-	-	91,161	4,386
Contributions	23,321	23,382	-	-	23,321	23,382
Interest on long-term debt	26,467	28,047	-	-	26,467	28,047
Water	-	-	67,966	69,196	67,966	69,196
Sewer Maintenance	-	-	41,188	40,813	41,188	40,813
Parking	-	-	25,450	25,267	25,450	25,267
Port of Milwaukee	-	-	5,885	3,631	5,885	3,631
Metropolitan Sewerage District User Charges.	-	-	45,876	43,149	45,876	43,149
Total expenses	1,006,627	902,844	186,365	182,056	1,192,992	1,084,900
Increase in net assets before transfers	(23,286)	(80,307)	43,953	59,395	20,667	(20,912)
Transfers	48,177	44,346	(48,177)	(44,346)	-	-
Increase in net assets	24,891	(35,961)	(4,224)	15,049	20,667	(20,912)
Net assets – Beginning	248,123	273,014	681,029	676,805	929,152	949,819
Net assets – Ending	$ 273,014	$ 237,053	$ 676,805	$ 691,854	$ 949,819	$ 928,907

Governmental Activities

Revenues for the City's governmental activities totaled $823 million, while total expenses totaled $903 million for 2011. The 2011 governmental activity expenditures total decreased by 10% over 2010. Total revenues, excluding transfers, supported 91% of total expenses; 96% with transfers. Comparable data for 2010 indicates 98% of all revenues, excluding transfers supported the 2010 expenses and, 103% including transfers.

Property taxes represent 33% of the total revenues for 2011 compared to 29% for 2010; a 4% increase in this category. While the actual revenue decreased 3% over the previous year, the percentage comparison to the total increased due to decreases in the grants and contributions category and the miscellaneous category. The City of Milwaukee's share of the Tax Rate increased twenty-three cents (from $8.89 in 2010 to $9.12 in 2011 (per $1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of $273 million increased by $2 million or less than 1% in 2011. The combined property taxes and State aids comprised approximately 67% of the total revenues for governmental funds in 2011 compared to 56% in 2010. Charges for services equaled 12% of the total revenues in 2011 compared to 10% in 2010. Operating grants, capital grants, and contributions decreased $47 million, to a total $105 million or 13% of total revenues in 2011 compared to only 16% in 2010. During 2010, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City of $57 million compared to $3 million in 2011.

In 2011, governmental-activity-type expenses decreased by $104 million (10%) to $903 million. Contributing factors relate to the various activities for fiscal year 2010 of Federal Recovery Act funding, Milwaukee Public Schools (MPS) cash-flow borrowing and an addition to City Pension reserves that did not occur in 2011. Expenses for general government, which comprise 27% of the total expenses, decreased 5% in 2011. Public safety expenses represent the largest category of governmental activities or 36% of the total expenses for 2011 had an increase of 3% over 2010. The largest change occurred in the City's contribution to the Milwaukee Public Schools, a decrease of $87 million and represents 84% of the overall decrease in expenditures. The Milwaukee Public Schools cannot issue its own debt. As a result, the City issued debt in 2010 to finance MPS operations pending the issuance of revenue anticipation notes later in the year. This borrowing simply financed MPS operating costs until MPS received State aids and was $91 million; no such contribution occurred in 2011.

Chart 1
2011 Expenses and Program Revenues - Governmental Activities

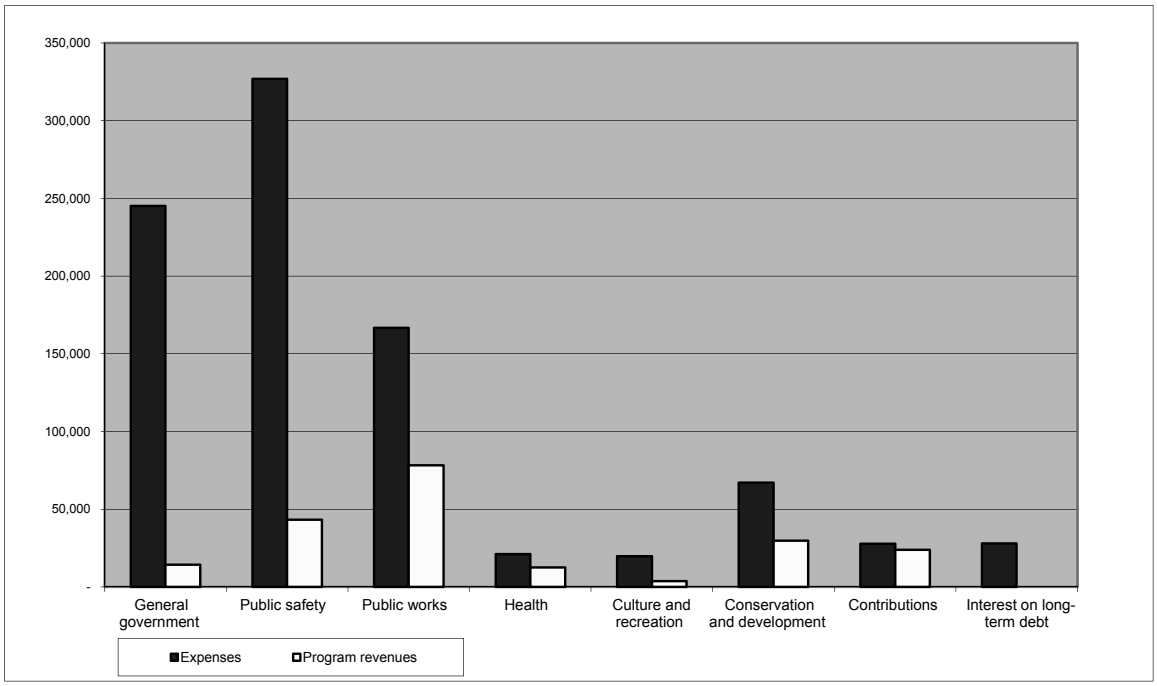


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee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

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2010	**2011**	**2010**	**2011**
General government	$ 259,420	$ 245,191	$ 245,926	$ 230,868
Public safety	326,366	326,879	286,416	283,542
Public works	168,699	166,787	35,626	85,687
Health	23,360	21,137	9,942	8,583
Culture and recreation	21,075	19,864	17,181	16,067
Conservation and development	66,758	67,171	43,689	37,388
Contributions	114,482	27,768	91,477	3,747
Interest on long-term debt	26,467	28,047	26,467	28,047
Total Governmental Activities	$ 1,006,627	$ 902,844	$ 756,724	$ 693,929

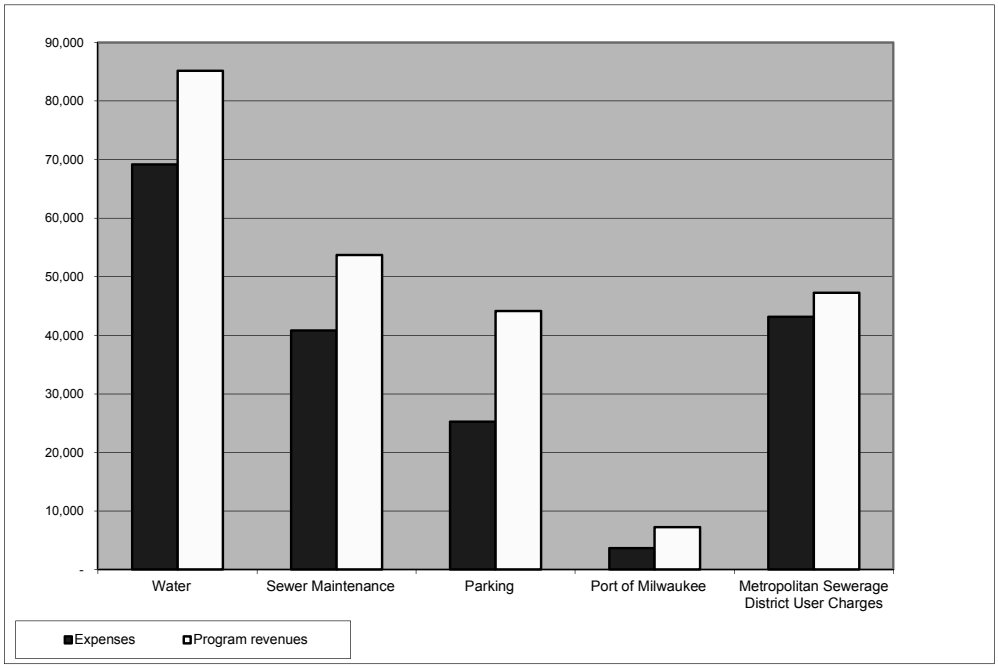
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2011 to $694 million from $757 million in 2010 or 8% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

Business-type Activities

The two major enterprises or business-type activities for the City of Milwaukee are water services and sewer maintenance. The Water Works had operating expenses of $68 million and operating income of $16 million. The Sewer Maintenance produced a net operating income of $31 million after incurring expenses of $21 million.

Business-type revenues on Table 2 increased by $11 million in 2011 compared to 2010, or 5%. Total expenses and transfers of all enterprise funds of the City decreased $8 million, from $234 million in 2010 to $226 million in 2011 (3%). Overall, 2011 year-end Total Net Assets increased by $15 million to $692 million, or 2%.

Chart 2
2011 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting consistent with finance related legal requirements and external governmental accounting standards.

Governmental Funds

Governmental Funds are reported in the fund based financial statements with a focus on the annual inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with the succeeding year's requirements. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed 2011, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of $301 million, an increase of $37 million or 14% over 2010. The General Fund, General Obligation Debt Service Fund, the Public Debt Amortization Fund and Capital Projects Funds increased their fund balances by $45 million. Non-major governmental funds produced a negative change from operations of $9 million. The Capital Projects Fund balance increased by $19 million; although, the total Fund balance remains a negative $117,000. This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled $101 million in 2011 compared to $238 million in 2010.

Chart 3 and 4 illustrate spending by function and revenues by source for all governmental funds.

Chart 3
2011 City Spending by Function - Governmental Funds

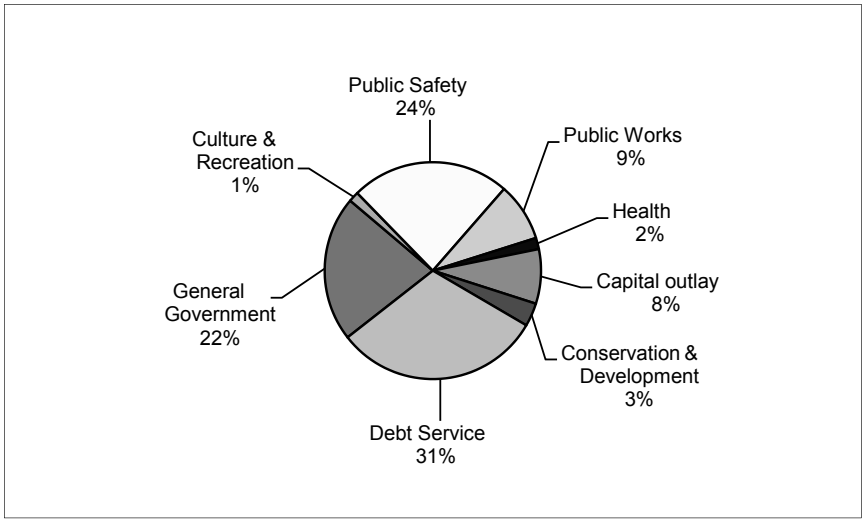
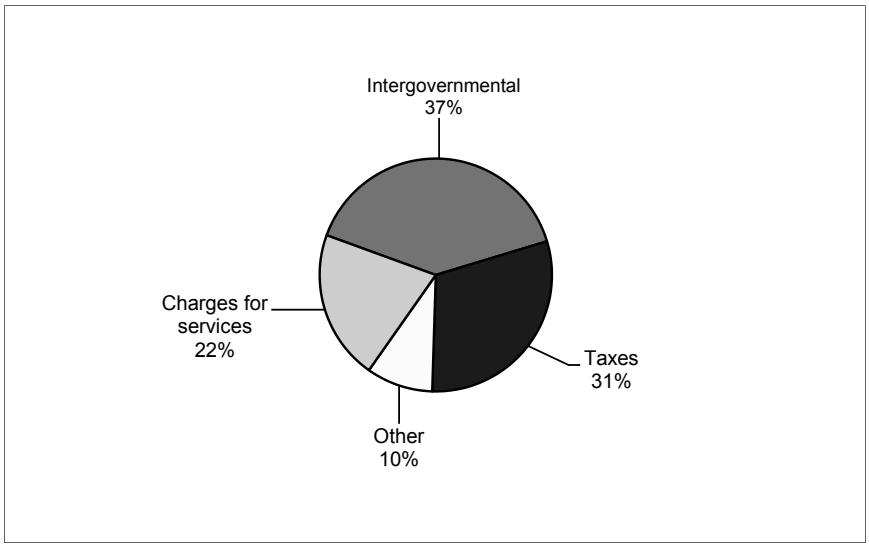


Chart 4
2011 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled $906 million in the fiscal year ended December 31, 2011 (-2%). Expenditures for governmental funds totaled $1,193 million (-12%) Expenditures exceeded revenues by $287 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of $36 million for the year compared to an increase of $38 million in 2010. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund increased by $12 million or 21%. Revenues and other financing sources totaled approximately $751 million and expenditures and other financing uses totaled approximately $739 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by only $807 over 2010), expenditures increased by 4% over 2010, with expenditures exceeding revenues by 5%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by $45 million. This excludes the budgeted use of funds from fund balance. Nearly fifteen million was budgeted from the fund balance to fund the 2011 General Fund budget. This was an increase of $2 million from 2010.

Total General Fund revenues for 2011 totaled $604 million. The largest revenue category is intergovernmental at $273 million with 45% of the total revenue. The second largest revenue source is Property Taxes with $167 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 17% or $103 million. These three categories combined comprise 90% of the total revenues for 2011. The largest percentage increase in revenues compared to 2010 was the Charges for Services category with a 6% increase.

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

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

Revenues and Other Financing Sources

Revenues:	**2010**	**2011**	**% Change**
Property taxes	$ 168,031	$ 166,841	-0.7%
Other taxes	5,097	4,371	-14.2%
Licenses and permits	12,948	13,289	2.6%
Intergovernmental	270,939	273,240	0.8%
Charges for services	97,146	103,493	6.5%
Fines and forfeits	5,422	5,076	-6.4%
Contributions received	23,005	24,021	4.4%
Other	20,323	13,387	-34.1%
Total Revenues	602,911	603,718	0.1%
Other Financing Sources			
Debt proceeds	147,000	100,000	-32.0%
Transfers in	51,711	47,376	-8.4%
Total Revenues and Other Financing Sources	801,622	751,094	-6.3%
Excess of Revenues over Expenditures	(61,363)	(32,939)	46.3%
Net Change in Fund Balance	$ (11,730)	$ 12,360	205.4%

Expenditures and Other Financing Uses

Expenditures:	**2010**	**2011**	% Change
General government	$ 276,326	$ 252,677	-8.6%
Public safety	264,067	258,994	-1.9%
Public works	94,482	96,557	2.2%
Health	9,996	8,872	-11.2%
Culture and recreation	15,656	15,566	-0.6%
Conservation and development	3,747	3,991	6.5%
	-	-	
Total Expenditures	664,274	636,657	-4.2%
Other Financing Uses			
Transfers out	149,078	102,077	-31.5%
Total Expenditures and other Financing Uses	$ 813,352	$ 738,734	-9.2%

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2011, $100 million was issued.

The City maintains two separate debt service funds. The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from $118 million to $126 million or 7%. Total revenues of the General Obligation Debt Service decreased from $205 million 2010 to $185 million in

2011 primarily due to the repayment on 2011 debt maturities from the Milwaukee Public Schools for debt issued on their behalf. Revenues combined with *Other Financing Sources* totaled $427 million; expenditures combined with *Other Financing Uses* totaled $419 million; resulting in a *net increase in Fund Balance* for year end 2011 of $8 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2011 showed a fund balance deficit of $117,000 (an increase in the fund balance of $20 million compared to a fund balance deficit of $20 million in 2010). In 2011, total debt proceeds amounted to $101 million as compared to $238 million in 2010, a 60% decrease. Total revenues decreased 23% from $21 million to $16 million; expenditures decreased from $240 million to $97 million or 59%. The issuance of bonds and notes during 2011 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2011 year-end deficit in fund balance by $20 million.

Proprietary Funds

The proprietary fund statements provide information on both short and long-term financial status, focusing on net assets and the change in net assets as a result of operations.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were $58 million. This was an increase from $46 million at December 31, 2010 or 26%. This net increase consists of $13 million in Water Works, $3 million in nonmajor enterprise funds, and a $3 million decrease in the Sewer Maintenance fund.

In 2011, operating revenues of the enterprise funds totaled $233 million (3%); total operating expenses decreased to $160 million in 2011 (-2%). The Water Works is the largest enterprise activity for the City, comprising approximately 36% of the total operating revenues. The Sewer Maintenance Fund comprises 22% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2011, Water Works operating revenues increased 15% while Sewer Maintenance operating revenues decreased 0.5%; all other enterprise funds combined decreased by 4%. Water Works non-operating revenues for 2011 are mainly composed of interest income and other miscellaneous revenues. The investment income decreased $3,000 (20%) compared to the 2010 income. Other miscellaneous non-operating revenue increased from $45,000 to $436,000 in 2011. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) increased 869% from 2010.

The Water Works incurred total expenses of $68 million for 2011 compared to $68 million for 2010. Excluding depreciation expense, operating expenses increased over the previous year by $451,000 or 0.1%. The non-operating expenses (interest expense) of the Water Works increased by $146,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds decreased 5% over 2010.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2011, the General Fund revenue budget exceeded actual revenues by $318,000. Actual 2011 General Fund revenues decreased from that of the prior year. On a budgetary basis, General Fund actual revenues totaled $580 million in 2011, no change over 2010. Property Taxes and Other Taxes decreased by 1% and 14%, respectively. Revenue categories of Licenses and Permits, Intergovernmental and Charges for Services increased in 2011. One noteworthy decrease in the Miscellaneous Revenue relates to the one-time receipt of $7 million to the City from the Pension Reserve at the Employees Retirement System (a non-city entity) in 2010. No such revenue was applicable to 2011. To offset this decrease, several other revenue categories had increases of $7 million to result in total 2011 revenue of approximately the same amount as 2010. Charges for Services increased a total of $6.4 million, of which $1.3 million related to snow and ice fees and $5.1 from various inspection fees. The Other Revenue category consists of interest on investments and in the aggregate many unrelated miscellaneous revenues. Interest on investments, totaled $303,000 for 2011. The average interest earnings rate was 0.213% compared to 0.315% in 2010 with a decrease in the average investable balance from $235.8 million in 2010 to $213.5 million in 2011.

The year 2011 also produced an unexpended budget surplus of $10 million. The general government category contributed $8 million; the public safety category had a surplus of $1 million. Public works, health culture and recreation, and, conservation and development categories, in the aggregate, added nearly $1 million. These savings included $2 million in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts. Salary accounts saved $2 million, $1 million in workers compensation accounts and $2 million in pension related costs, with all other accounts in the aggregate of $3 million. These savings are a result of final expenditures less than the final 2011 budgeted.

During 2011, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional $3 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2010 less the encumbrances carried over to 2012. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2010 by the Common Council less those appropriations authorized for carryover to 2012. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2011 General Fund expenditure budget of $626 million and the final budget of $624 million. This is a 4% decrease over the final 2010 budget of $650 million. The original General Fund revenue budget totaled $577 million with the final budget increasing approximately $3 million. This is a 1% decrease over the final 2010 revenue budget of $583 million.

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

The City's General Fund's beginning Fund Balance of $60 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary Fund Balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Fund Balance of $15 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2011 total $1,854 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was $30 million or 1.7%. Governmental activities' capital assets increased $5 million or a 0.5% increase from 2010. Business-type activities' capital assets increased $25 million or 3% at the end of 2011. A schedule comparing the assets by type for 2010 and 2011 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were $17 million and deletions were $12 million for 2011 for governmental activities. The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of $25 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 67% of its total net assets with 28% consisting of machinery and equipment. The total net change in all Water Works net assets was a decrease of $54,000.

Debt issued to finance tax incremental districts (TID) totals $189 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was $118 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Capital assets not being depreciated:						
Land	$ 164,210	$ 164,620	$ 18,253	$ 18,874	$ 182,463	$ 183,494
Construction in progress	26,513	36,272	14,897	6,991	41,410	43,263
Intangible right of ways	1,319	1,342	-	-	1,319	1,342
Capital assets being depreciated:						
Buildings	276,816	282,465	91,798	93,663	368,614	376,128
Infrastructure	1,450,918	1,467,560	861,200	893,752	2,312,118	2,361,312
Improvements other than buildings	11,811	11,891	7,771	7,998	19,582	19,889
Machinery and equipment	173,788	178,690	221,194	228,058	394,982	406,748
Intangible software	1,364	1,971	-	-	1,364	1,971
Nonutility property	-	-	4,692	5,422	4,692	5,422
Accumulated depreciation	(1,121,235)	(1,153,989)	(381,906)	(391,835)	(1,503,141)	(1,545,824)
Total	$ 985,504	$ 990,822	$ 837,899	$ 862,923	$ 1,823,403	$ 1,853,745

Debt

At year-end, the City had $915 million in general obligation bonds and notes, $81 million in State loans, and $70 million in revenue bonds outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled $423 million, of which $36 million related to Water Works, Sewer Maintenance, Port, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa1 from Moody's Investors Service, Inc, were received on the City's June 2011 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was $1,259 at the end of 2010 and $1,272 at the end of 2011; a 1% increase from the prior year. As of December 31, 2011, the City's outstanding net general obligation debt for governmental activities was 2.57% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 52% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2011, notes were issued in the amount of approximately $30.2 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
General obligation bonds and notes (backed by the City)	$ 812,183	$ 825,574	$ 82,002	$ 89,956	$ 894,185	$ 915,530
State loans	-	-	80,724	80,513	80,724	80,513
Revenue bonds (backed by specific fee revenues)	-	-	53,737	69,618	53,737	69,618
Total	$ 812,183	$ 825,574	$ 216,463	$ 240,087	$ 1,028,646	$ 1,065,661

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2011 is 10.8%, compared to 11.5% for 2010. The City of Milwaukee per capita income for the most recent fiscal year available (2010) was $37,838, compared to $37,038 for 2009. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2012 adopted City Budget is about $1.4 billion with a General Fund budget of $678 million. The General Fund budget decreased nearly 1% over the 2011 budget of $683 million. In 2012, the City will expend $116 million for health insurance and related costs compared to $145 million budgeted for 2011, a decrease of 20%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 5 FTE with the City Development and Fire decreasing 18 each and Treasurer decreasing 2; while Public Works Department increasing 16 and Unified Call Center increasing 17. Also, the City decreased mandatory furlough days from four to three for 2012.

Total property taxes levied for all funds of the City in 2011 for 2012 purposes increased $0.13 per thousand dollars of assessed valuation to a rate of $9.25 (1.4%). The 2010 for 2011 rate increased $0.23 (from $8.89 to $9.12 or 2.6%).

The total City property tax levy increased to the $248 million from 2010 of $247 million. While the rate for 2011 increased, the assessed valuation decreased; thus providing roughly the same amount in property tax revenue. The property tax levy will provide $115.2 million for general City purposes in 2012. This represents an increase of $3.6 million from 2011 or 3%. The 2012 General City Purpose budget includes $104 million in estimated revenue for City charges for services rendered, an increase of $4 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate $32 million for 2012. This fee represents 31% of the total charges for services in the 2012 budget. The Street Sweeping-Leaf Collection Fee is expected to generate $12 million for 2012, no increase over 2011. This Fee comprises 12% of the total charges for services for 2012 compared to 13% in 2011. Most 2012 revenue estimates remained consistent with the prior year with only a net overall decrease of 0.76%.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total $259.5 million; a decrease of $12 million from 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILWAUKEE

Exhibit 1

STATEMENT OF NET ASSETS

December 31, 2011

(Thousands of Dollars)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Cash and cash equivalents	$ 321,404	$ 53,480	$ 374,884	$ 73,460
Investments	19,642	-	19,642	9,100
Receivables (net):				
Taxes	226,031	-	226,031	-
Accounts	27,941	47,137	75,078	2,317
Unbilled accounts	447	17,145	17,592	-
Special assessments	8,141	-	8,141	-
Notes and loans	107,134	-	107,134	112,278
Accrued interest	200	122	322	6,911
Due from component units	20,358	-	20,358	-
Due from primary government	-	-	-	584
Due from other governmental agencies	175,747	1,762	177,509	20,232
Inventory of materials and supplies	7,122	2,920	10,042	-
Inventory of property for resale	26	-	26	11,055
Prepaid items	1,075	122	1,197	1,096
Deferred charges	2,650	383	3,033	1,209
Other assets	-	210	210	406
Total Noncapital Assets	917,918	123,281	1,041,199	238,648
Capital assets:				
Capital assets not being depreciated:				
Land	164,620	18,874	183,494	54,451
Construction in progress	36,272	6,991	43,263	47,078
Intangible right of ways	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings	282,465	93,663	376,128	477,148
Infrastructure	1,467,560	893,752	2,361,312	379
Improvements other than buildings	11,891	7,998	19,889	1,725
Machinery and equipment	178,690	228,058	406,748	5,047
Intangible software	1,971	-	1,971	565
Nonutility property	-	5,422	5,422	-
Accumulated depreciation	(1,153,989)	(391,835)	(1,545,824)	(234,276)
Total Capital Assets	990,822	862,923	1,853,745	352,117
Total Assets	1,908,740	986,204	2,894,944	590,765

CITY OF MILWAUKEE

Exhibit 1 (Continued)

STATEMENT OF NET ASSETS

December 31, 2011

(Thousands of Dollars)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Accounts payable	$ 35,770	$ 20,432	$ 56,202	$ 13,700
Accrued expenses	32,061	2,546	34,607	9,935
Accrued interest payable	11,511	956	12,467	-
Internal balances	(17,014)	17,014	-	-
Due to component units	584	-	584	-
Due to other governmental agencies	427	-	427	4,843
Deferred revenue	318,817	1,508	320,325	21,216
Revenue anticipation notes payable	145,000	-	145,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	13,254
Due to primary government:				
Due within one year	-	-	-	575
Due in more than one year	-	-	-	19,783
Long-term obligations:				
Due within one year	113,134	14,833	127,967	3,511
Due in more than one year	1,031,397	237,061	1,268,458	150,536
Total Liabilities	1,671,687	294,350	1,966,037	237,353
NET ASSETS				
Invested in capital assets, net of related debt	345,061	618,625	963,686	179,504
Restricted for:				
Debt Service	197,499	15,034	212,533	-
Other purposes	12,567	-	12,567	23,169
Unrestricted	(318,074)	58,195	(259,879)	150,739
Total Net Assets	**$ 237,053**	**$ 691,854**	**$ 928,907**	**$ 353,412**

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

CITY OF MILWAUKEE

Exhibit 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 245,191	$ 10,148	$ 4,175	$ -
Public safety	326,879	19,049	24,288	-
Public works	166,787	71,348	7,028	2,724
Health	21,137	1,297	11,257	-
Culture and recreation	19,864	1,239	2,558	-
Conservation and development	67,171	412	29,371	-
Capital contribution to Milwaukee Public Schools	4,386	-	-	-
Contributions	23,382	-	24,021	-
Interest on long-term debt	28,047	-	-	-
Total Governmental Activities	902,844	103,493	102,698	2,724
Business-type Activities:				
Water	69,196	84,394	-	747
Sewer Maintenance	40,813	51,788	-	1,933
Parking	25,267	44,148	-	2
Port of Milwaukee	3,631	5,527	-	1,711
Metropolitan Sewerage District User Charges	43,149	47,269	-	-
Total Business-type Activities	182,056	233,126	-	4,393
Total Primary Government	$ 1,084,900	$ 336,619	$ 102,698	$ 7,117
Component units:				
Housing Authority	$ 92,286	$ 19,703	$ 56,919	$ 22,624
Redevelopment Authority	16,575	9,321	14,418	3,199
Milwaukee Economic Development Authority	5,514	2,858	1,672	-
Neighborhood Improvement Development Corporation	2,134	317	1,246	150
Century City Redevelopment Corporation	1,036	66	-	-
Total Component Units	$ 117,545	$ 32,265	$ 74,255	$ 25,973

General revenues:

Property taxes and other taxes .....

State aids for General Fund .....

Miscellaneous .....

Transfers .....

Total General Revenues and Transfers .....

Change in Net Assets .....

Net Assets - Beginning .....

Net Assets - Ending .....

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (230,868)		$ (230,868)	
(283,542)		(283,542)	
(85,687)		(85,687)	
(8,583)		(8,583)	
(16,067)		(16,067)	
(37,388)		(37,388)	
(4,386)		(4,386)	
639		639	
(28,047)		(28,047)	
(693,929)		(693,929)	
-	$ 15,945	15,945	
-	12,908	12,908	
-	18,883	18,883	
-	3,607	3,607	
-	4,120	4,120	
-	55,463	55,463	
(693,929)	55,463	(638,466)	
			$ 6,960
			10,363
			(984)
			(421)
			(970)
			14,948
276,168	-	276,168	-
273,240	-	273,240	-
64,214	3,932	68,146	10,053
44,346	(44,346)	-	-
657,968	(40,414)	617,554	10,053
(35,961)	15,049	(20,912)	25,001
273,014	676,805	949,819	328,411
$ 237,053	**$ 691,854**	**$ 928,907**	**$ 353,412**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE

Exhibit A-1

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 92,819
Investments	128
Receivables (net):	
Taxes	144,767
Accounts	26,535
Unbilled accounts	447
Special assessments	-
Notes and loans	17
Accrued interest	70
Due from other funds	38,568
Due from component units	542
Due from other governmental agencies	332
Advances to other funds	7,562
Inventory of materials and supplies	7,122
Inventory of property for resale	26
Prepaid items	189
Total Assets	**$ 319,124**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 20,146
Accrued expenses	31,387
Due to other funds	2,081
Due to component units	19
Due to other governmental agencies	-
Deferred revenue	193,505
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	247,138
Fund Balances:	
Nonspendable	15,044
Restricted	-
Committed	2,995
Assigned	26,778
Unassigned	27,169
Total Fund Balances	71,986
Total Liabilities and Fund Balances	**$ 319,124**

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 172,134	$ 23,666	$ 20,245	$ 12,540	$ 321,404
-	19,514	-	-	19,642
54,873	-	2,633	23,758	226,031
-	-	1,267	139	27,941
-	-	-	-	447
-	-	8,141	-	8,141
72,716	23,957	-	10,444	107,134
3	127	-	-	200
-	-	-	15	38,583
19,790	-	-	26	20,358
145,000	-	12,997	17,418	175,747
-	-	-	-	7,562
-	-	-	-	7,122
-	-	-	-	26
-	-	886	-	1,075
$ 464,516	**$ 67,264**	**$ 46,169**	**$ 64,340**	**$ 961,413**
$ 59	$ -	$ 6,902	$ 8,663	$ 35,770
1	-	324	349	32,061
4,415	-	7,592	7,481	21,569
-	-	143	422	584
-	-	-	427	427
188,819	-	23,763	11,629	417,716
145,000	-	-	-	145,000
-	-	7,562	-	7,562
338,294	-	46,286	28,971	660,689
-	-	886	-	15,930
-	-	-	5,855	5,855
126,222	67,264	-	29,514	225,995
-	-	-	-	26,778
-	-	(1,003)	-	26,166
126,222	67,264	(117)	35,369	300,724
$ 464,516	**$ 67,264**	**$ 46,169**	**$ 64,340**	**$ 961,413**

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CITY OF MILWAUKEE

Exhibit A-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011
(Thousands of Dollars)

Fund balances - total governmental funds (Exhibit A-1)		$ 300,724
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 164,620	
Buildings, net of $84,314 accumulated depreciation	198,151	
Infrastructure, net of $953,676 accumulated depreciation	513,884	
Improvements other than buildings, net of $8,275 accumulated depreciation	3,616	
Machinery and equipment, net of $107,356 accumulated depreciation	71,334	
Intangible assets net of $368 accumulated depreciation	2,945	
Construction in progress	36,272	
		990,822
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the government-wide statements.		2,650
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year-end	14,747	
Other revenues to be collected after year-end	4,628	
Special assessments to be collected after year-end	6,808	
Notes and loans receivable to repay long-term bonds and notes	72,716	
		98,899
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(11,511)	
Bonds and notes payable	(825,574)	
Deferred amount on refunding	1,956	
Unamortized premiums	(43,084)	
Compensated absences	(47,581)	
Net other postemployment benefits obligation	(206,369)	
Claims and judgments	(23,879)	
		(1,156,042)
Total net assets of governmental activities (Exhibit 1)		**$ 237,053**

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

CITY OF MILWAUKEE Exhibit A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 166,841
Other taxes	4,371
Special assessments	-
Licenses and permits	13,289
Intergovernmental	273,240
Charges for services	103,493
Fines and forfeits	5,076
Contributions received	24,021
Other	13,387
Total Revenues	603,718
Expenditures:	
Current:	
General government	252,677
Public safety	258,994
Public works	96,557
Health	8,872
Culture and recreation	15,566
Conservation and development	3,991
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	636,657
Excess (Deficiency) of Revenues over Expenditures	(32,939)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	100,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	47,376
Transfers out	(102,077)
Total Other Financing Sources and Uses	45,299
Net Change in Fund Balances	12,360
Fund Balances - Beginning	59,626
Fund Balances - Ending	**$ 71,986**

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 69,209	$ -	$ 4,277	$ 2,304	$ 242,631
23,386	2,949	-	-	30,706
-	-	3,163	-	3,163
-	-	-	-	13,289
1,009	-	5,210	80,828	360,287
84,819	-	-	-	188,312
-	-	-	-	5,076
-	-	-	-	24,021
6,950	3,466	3,085	11,595	38,483
185,373	6,415	15,735	94,727	905,968
446	-	-	5,966	259,089
-	-	-	24,288	283,282
-	-	-	7,028	103,585
-	-	-	11,257	20,129
-	-	-	2,558	18,124
-	-	-	37,468	41,459
-	-	96,870	-	96,870
331,960	-	-	-	331,960
37,184	-	-	-	37,184
1,040	-	-	-	1,040
370,630	-	96,870	88,565	1,192,722
(185,257)	6,415	(81,135)	6,162	(286,754)
-	-	101,417	30,235	231,652
80,648	-	-	-	80,648
(41,949)	-	-	-	(41,949)
-	-	-	(8,783)	(8,783)
17,079	-	-	-	17,079
144,068	3,657	-	-	195,101
(6,092)	(5,924)	(544)	(36,118)	(150,755)
193,754	(2,267)	100,873	(14,666)	322,993
8,497	4,148	19,738	(8,504)	36,239
117,725	63,116	(19,855)	43,873	264,485
$ 126,222	**$ 67,264**	**$ (117)**	**$ 35,369**	**$ 300,724**

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CITY OF MILWAUKEE

Exhibit A-4

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

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		36,239
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($56,719) exceeded depreciation expense ($50,609) in the current period less loss on disposals ($792)		5,318
Notes and loans receivable to repay long-term bonds and notes		(4,386)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	$ 2,831	
Other revenues deferred at year end	(2,150)	
Special assessments deferred revenue beginning of the year $9,069 less deferred at end of the year $6,808	(2,261)	
		(1,580)
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(387,300)	
Issuance premiums	(17,092)	
Issuance costs	654	
Repayments:		
Principal retirement	373,909	
Amortization:		
Premiums	9,486	
Issuance costs	(493)	
Deferred amount on refunding	(947)	
		(21,783)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(8,633)	
Net other postemployment benefits obligation	(37,329)	
Claims and judgments	(4,418)	
Accrued interest on bonds and notes	611	
		(49,769)
Changes in net assets of governmental activities (Exhibit 2)		**$ (35,961)**

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

CITY OF MILWAUKEE

Exhibit B-1

STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,360	$ 14,877	$ 20,209	$ 38,446
Restricted cash and cash equivalents	692	2,769	-	3,461
Receivables (net):				
Accounts	17,075	15,508	14,554	47,137
Unbilled accounts	11,976	2,346	2,823	17,145
Accrued interest	1	121	-	122
Due from other funds	6,481	668	635	7,784
Due from other governmental agencies	-	1,243	519	1,762
Inventory of materials and supplies	2,572	348	-	2,920
Prepaid items	122	-	-	122
Deferred charges	-	383	-	383
Other assets	210	-	-	210
Total Current Assets	42,489	38,263	38,740	119,492
Noncurrent assets:				
Restricted cash and cash equivalents	-	11,573	-	11,573
Capital assets:				
Capital assets not being depreciated:				
Land	2,018	-	16,856	18,874
Construction in progress	2,829	42	4,120	6,991
Capital assets being depreciated:				
Buildings	27,259	-	66,404	93,663
Infrastructure	357,017	519,862	16,873	893,752
Improvements other than buildings	-	-	7,998	7,998
Machinery and equipment	213,310	4,563	10,185	228,058
Nonutility property	5,422	-	-	5,422
Accumulated depreciation	(205,731)	(122,696)	(63,408)	(391,835)
Net Capital Assets	402,124	401,771	59,028	862,923
Total Noncurrent Assets	402,124	413,344	59,028	874,496
Total Assets	444,613	451,607	97,768	993,988

CITY OF MILWAUKEE

Exhibit B-1 (Continued)

STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 4,304	$ 4,960	$ 11,168	$ 20,432
Accrued expenses	1,251	603	692	2,546
Accrued interest payable	246	-	220	466
Compensated absences	1,079	-	-	1,079
Due to other funds	16,636	-	8,162	24,798
Deferred revenue	-	1,239	269	1,508
General obligation debt payable - current	3,326	677	1,970	5,973
Revenue bonds payable - current	989	-	-	989
Total Current Liabilities	27,831	7,479	22,481	57,791
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	6,792	-	6,792
Accrued interest payable	-	490	-	490
Total Current Liabilities Payable from Restricted Assets	-	7,282	-	7,282
Noncurrent Liabilities:				
General obligation debt payable	18,954	52,085	13,204	84,243
Revenue bonds & State loans payable	6,509	139,792	-	146,301
Other post employment benefits obligation	3,755	1,461	1,301	6,517
Total Noncurrent Liabilities	29,218	193,338	14,505	237,061
Total Liabilities	57,049	208,099	36,986	302,134
Net Assets:				
Invested in capital assets, net of related debt	372,346	202,425	43,854	618,625
Restricted for Debt Service	692	14,342	-	15,034
Unrestricted	14,526	26,741	16,928	58,195
Total Net Assets	**$ 387,564**	**$ 243,508**	**$ 60,782**	**$ 691,854**

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

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CITY OF MILWAUKEE

Exhibit B-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	$ 69,944	$ -	$ -	$ 69,944
Statutory sewer user fee	-	-	45,765	45,765
Sewer maintenance fee	-	51,788	-	51,788
Rent	-	-	12,605	12,605
Fire protection service	6,921	-	-	6,921
Parking meters	-	-	4,937	4,937
Parking permits	-	-	3,900	3,900
Vehicle towing	-	-	5,135	5,135
Parking forfeitures	-	-	23,098	23,098
Other	7,529	-	1,504	9,033
Total Operating Revenues	84,394	51,788	96,944	233,126
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	-	-	38,631	38,631
Employee services	-	7,344	9,410	16,754
Administrative and general	6,474	-	-	6,474
Depreciation	14,067	5,949	3,442	23,458
Transmission and distribution	21,688	-	-	21,688
Services, supplies, and materials	-	7,347	19,959	27,306
Water treatment	14,448	-	-	14,448
Water pumping	8,748	-	-	8,748
Billing and collection	2,704	-	-	2,704
Total Operating Expenses	68,129	20,640	71,442	160,211
Operating Income	16,265	31,148	25,502	72,915
Nonoperating Revenues (Expenses):				
Investment income	12	2,879	-	2,891
Grant Revenue	-	1,910	54	1,964
Interest expense	(1,067)	(5,261)	(605)	(6,933)
Other	436	(14,912)	605	(13,871)
Total Nonoperating Revenues (Expenses)	(619)	(15,384)	54	(15,949)
Income before Contributions and Transfers	15,646	15,764	25,556	56,966
Capital contributions	747	23	1,659	2,429
Transfers in	-	-	617	617
Transfers out	(11,151)	(8,678)	(25,134)	(44,963)
Change in Net Assets	5,242	7,109	2,698	15,049
Total Net Assets - Beginning	382,322	236,399	58,084	676,805
Total Net Assets - Ending	**$ 387,564**	**$ 243,508**	**$ 60,782**	**$ 691,854**

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

CITY OF MILWAUKEE

Exhibit B-3

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 75,008	$ 52,062	$ 97,449	$ 224,519
Receipts from interfund services provided	5,085	-	-	5,085
Payments to suppliers	(27,871)	(7,012)	(59,063)	(93,946)
Payments to employees	(24,133)	(7,208)	(9,219)	(40,560)
Payments from other funds	-	-	(3,572)	(3,572)
Payments to other funds	(4,219)	-	(54)	(4,273)
Net Cash Provided by Operating Activities	23,870	37,842	25,541	87,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	435	1,958	52	2,445
Other nonoperating expenses	-	(14,912)	-	(14,912)
Transfers to other funds	3,540	(8,678)	(24,517)	(29,655)
Net Cash Used for Noncapital Financing Activities	3,975	(21,632)	(24,465)	(42,122)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	11,625	77,868	2,520	92,013
Acquisition of property, plant, and equipment	(34,482)	(31,290)	(2,711)	(68,483)
Retirement of bonds, notes, and revenue bonds	(3,989)	(61,909)	(2,491)	(68,389)
Interest paid	(1,134)	(2,911)	(628)	(4,673)
Other	-	-	1,439	1,439
Net Cash Used for Capital and Related Financing Activities	(27,980)	(18,242)	(1,871)	(48,093)
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment income	13	2,764	-	2,777
Net Increase (Decrease) in Cash and Cash Equivalents	(122)	732	(795)	(185)
Cash and Cash Equivalents - Beginning	4,174	28,487	21,004	53,665
Cash and Cash Equivalents - Ending	**$ 4,052**	**$ 29,219**	**$ 20,209**	**$ 53,480**

CITY OF MILWAUKEE

Exhibit B-3 (Continued)

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	$ 3,360	$ 14,877	$ 20,209	$ 38,446
Restricted Cash	692	14,342	-	15,034
	$ 4,052	$ 29,219	$ 20,209	$ 53,480
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 16,265	$ 31,148	$ 25,502	$ 72,915
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	14,067	5,949	3,442	23,458
Changes in assets and liabilities:				
Receivables	(4,752)	180	387	(4,185)
Due from other funds	(2,063)	94	(54)	(2,023)
Inventories	60	(348)	-	(288)
Prepaid items	468	-	-	468
Other assets	48	-	-	48
Accounts payable	(789)	683	(472)	(578)
Accrued liabilities	(112)	(141)	(7)	(260)
Net other postemployment benefits obligation	678	277	196	1,151
Due to other funds	-	-	(3,572)	(3,572)
Deferred revenue	-	-	119	119
Net Cash Provided by Operating Activities	$ 23,870	$ 37,842	$ 25,541	$ 87,253

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $747,013.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $115,291 with a net value of $0, and received donated assets in the amount of $22,588.

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

CITY OF MILWAUKEE

Exhibit C-1

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 403	$ 2,158	$ 338,085
Investments	-	2,099	-
Total Assets	403	4,257	**$ 338,085**
LIABILITIES			
Liabilities:			
Accounts payable	$ 24	$ 87	$ 2,000
Due to other governmental agencies	-	-	336,085
Total Liabilities	24	87	**$ 338,085**
Net Assets			
Employees' pension benefits and other purposes	**$ 379**	**$ 4,170**	

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

CITY OF MILWAUKEE

Exhibit C-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts
Additions		
Contributions:		
Plan members	$ 1,543	$ -
Private donations	-	1,907
Total Contributions	1,543	1,907
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	94
Total Additions	1,543	2,001
Deductions		
Benefits	1,481	-
Fees remitted from Trust	-	1,900
Other	-	1,407
Total Deductions	1,481	3,307
Change in Net Assets	62	(1,306)
Net Assets - Beginning	317	5,476
Net Assets - Ending	**$ 379**	**$ 4,170**

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

CITY OF MILWAUKEE

Exhibit D-1

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2011
(Thousands of Dollars)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 28,520	$ 21,981	$ 13,777	$ 2,011	$ 7,171	$ 73,460
Investments	3,116	5,684	-	300	-	9,100
Receivables (net):						
Accounts	1,943	142	201	28	3	2,317
Notes and loans	45,217	37,386	29,280	395	-	112,278
Accrued interest	6,247	434	109	121	-	6,911
Due from primary government	323	261	-	-	-	584
Due from other governmental agencies	709	1,112	18,393	18	-	20,232
Inventory of property for resale	-	6,580	1,729	2,746	-	11,055
Prepaid items	983	90	-	-	23	1,096
Deferred charges	196	744	-	-	269	1,209
Other assets	320	-	86	-	-	406
Total Noncapital Assets	87,574	74,414	63,575	5,619	7,466	238,648
Capital assets:						
Capital assets not being depreciated:						
Land and land improvements	39,721	13,621	-	-	1,109	54,451
Construction in progress	47,078	-	-	-	-	47,078
Capital assets being depreciated:						
Buildings	374,071	92,989	-	-	10,088	477,148
Infrastructure	-	379	-	-	-	379
Improvements other than buildings	882	843	-	-	-	1,725
Machinery and equipment	4,595	-	299	-	153	5,047
Intangible assets	-	565	-	-	-	565
Accumulated depreciation	(220,925)	(13,036)	(242)	-	(73)	(234,276)
Total Capital Assets, Net of Depreciation	245,422	95,361	57	-	11,277	352,117
Total Assets	332,996	169,775	63,632	5,619	18,743	590,765

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2011
(Thousands of Dollars)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	$ 9,535	$ 2,869	$ 452	$ 64	$ 780	$ 13,700
Accrued expenses	7,108	2,810	-	-	17	9,935
Due to other governmental agencies	1,194	3,589	-	-	60	4,843
Deferred revenue	20,355	518	-	343	-	21,216
Other liabilities	7,641	2,655	912	2,046	-	13,254
Total Current Liabilities	45,833	12,441	1,364	2,453	857	62,948
Due to primary government:						
Due within one year	495	-	55	25	-	575
Due in more than one year	-	19,306	477	-	-	19,783
Total Due to Primary Government	495	19,306	532	25	-	20,358
Long-term obligations:						
Due within one year	3,511	-	-	-	-	3,511
Due in more than one year	48,256	78,881	4,549	-	18,850	150,536
Total Noncurrent Liabilities	51,767	78,881	4,549	-	18,850	154,047
Total Liabilities	98,095	110,628	6,445	2,478	19,707	237,353
NET ASSETS:						
Invested in capital assets, net of related debt	151,349	28,230	-	-	(75)	179,504
Restricted	4,823	8,515	8,841	990	-	23,169
Unrestricted	78,729	22,402	48,346	2,151	(889)	150,739
Total Net Assets	**$234,901**	**$ 59,147**	**$ 57,187**	**$ 3,141**	**$ (964)**	**$ 353,412**

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

CITY OF MILWAUKEE

Exhibit D-2

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Housing Authority				
Low income housing	$ 92,286	$ 19,703	$ 56,919	$ 22,624
Redevelopment Authority				
Prevention and elimination of blight	16,575	9,321	14,418	3,199
Milwaukee Economic Development Corporation				
Increase employment and expansion of business	5,514	2,858	1,672	-
Neighborhood Improvement Development Corp.				
Housing improvements	2,134	317	1,246	150
Century City Redevelopment Corporation				
Rental income	1,036	66	-	-
Total Component Units	$117,545	$ 32,265	$ 74,255	$ 25,973

General revenues:
Miscellaneous .....

Total General Revenues .....

Change in Net Assets .....

Net Assets - Beginning.....

Net Assets - Ending .....

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

Net (Expense) Revenue and Changes in Net Assets					
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
$ 6,960	$ -	$ -	$ -	$ -	$ 6,960
-	10,363	-	-	-	10,363
-	-	(984)	-	-	(984)
-	-	-	(421)	-	(421)
-	-	-	-	(970)	(970)
6,960	10,363	(984)	(421)	(970)	14,948
8,337	202	1,462	46	6	10,053
8,337	202	1,462	46	6	10,053
15,297	10,565	478	(375)	(964)	25,001
219,604	48,582	56,709	3,516	-	328,411
$ 234,901	**$ 59,147**	**$ 57,187**	**$ 3,141**	**$ (964)**	**$ 353,412**

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

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

Century City Redevelopment Corporation - The Century City Redevelopment Corporation (CCRC) is a nonprofit organization created to perform redevelopment activities within the City. CCRC is managed by a Board of Directors made up of members from City government and employee services are provided by the Redevelopment Authority through a cooperation agreement.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 1st Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; and CCRC, 841 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202.

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

Related Organizations

Milwaukee Area Workforce Investment Board

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

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

B. Basis of Presentation

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

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

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

Proprietary fund operating revenues and expenses are a result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting these criteria are reported as nonoperating expenses. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.0821, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Additionally, the City reports the following fiduciary fund types:

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

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2011 that will be collected in 2012 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

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

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

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

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

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

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

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

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

F. Property Taxes

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

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

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2011 is approximately $2,258,000.

H. Unbilled Services

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

I. Special Assessments

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

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is approximately $22,134,000 as of December 31, 2011.

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

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased therefore inventories are classified as non-spendable in fund balance.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year and are classified as non-spendable in fund balance.

M. Capital Assets

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

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

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

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Intangible right of ways	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A
Intangible software	100,000	5-20

N. Pension Contributions

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

O. Compensated Absences

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

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

P. Claims and Judgments

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

Q. Bond Premiums, Discounts, and Issuance Costs

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

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

R. Advance Refundings of Debt

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

S. Fund Balance-Governmental Funds

As of December 31, 2011, GASB 54 was implemented resulting in the fund balances of the governmental funds to be classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City's Common Council. The Common Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Common Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intend to be used for specific purposes. It is the policy of the City that the City Comptroller will have the authority to assign funds intended for a specific purpose but have not received formal approval by the Common Council. The Comptroller will record funds as assigned fund balance based on intentions for use of the funds and can redeploy assigned resources to an alternative fund balance category based on intended use of the funds.

Unassigned – All other spendable amounts.

When expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first followed by committed, assigned and then unassigned fund balance unless the order of fund balance usage is dictated by legal, borrowing or other requirements.

T. Net Assets

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

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

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

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

U. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

V. Use of Estimates

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

W. New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses service concession arrangements, which are a type of public-private partnership. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In November 2010, the GASB issued Statement No. 61, *an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity display and disclosure requirements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In December 2011, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations; Accounting Principles Board Opinions, or; Accounting Research Bulletins of the AICPA Committee on Accounting Procedure (collectively referred to as the – FASB and AICPA pronouncements). The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not have any derivative instruments.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, or current period outflows and inflows. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of previous pronouncements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures.* This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and RSI. The City will implement this Statement beginning with the year ending December 31, 2014. The City has not analyzed the potential impact of the Statement on its financial statements.

2. DEPOSITS AND INVESTMENTS

A. Primary Government

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

As of December 31, 2011, the City's deposits and investments are as follows:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Governmental and Business-type activities:						
Investment type						
Pooled Deposits and Investments	$ 271,270	$ 271,270	$ -	$ -	$ -	see below
Segregated Deposits and Investments						
Interest Checking	17,275	17,275	-	-	-	not rated
Wisconsin Local Government Investment Pool	74,654	74,654	-	-	-	not rated
Municipal Bonds	13,829	-	2,772	9,649	1,408	see below
U.S. Treasury strips	1,035	1,035	-	-	-	AAA
Treasuries (Fiscal Agent)	11,813	11,813	-	-	-	AAA
Certificates of Deposits	4,650	1,950	2,700	-	-	not rated
	$ 394,526	$ 377,997	$ 5,472	$ 9,649	$ 1,408	
Fiduciary activities:						
Investment type						
Investments in the Pool	$ 305,662	$ 305,662	$ -	$ -	$ -	see below
Other Deposits	34,097	34,097	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government Investment Pool	887	887	-	-	-	not rated
U.S. Treasury strips	2,099	420	1,679	-	-	AAA
	$ 342,745	$ 341,066	$ 1,679	$ -	$ -	

Municipal Bonds

The Moody's ratings vary from AAA to A2 for the Municipal Bonds that were rated. The remainder of the Municipal bonds held by the City was not rated.

Pooled Deposits and Investments

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

As of December 31, 2011, the City had the following investments and maturities in the Pool**:**

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Pooled Deposits and Investments						
Bank Demand Deposits	$ 41,715	$ 41,715	$ -	$ -	$ -	not rated
Other Deposits	1,006	1,006	-	-	-	not rated
Deposits and Investments						
Interest Checking	285,416	285,416	-	-	-	not rated
Wisconsin Local Government Investment Pool	240,445	240,445	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	8,250	8,250	-	-	-	not rated
	$ 576,932	$ 576,932	$ -	$ -	$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council, the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. As of December 31, 2011, the City's bank balances of $1,012,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

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

Credit risk

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

B. Component Units

Deposits and Investments

Deposits in each local area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for interest bearing accounts and $250,000 for noninterest bearing accounts. An additional $400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

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

Credit Risk

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

The Component Units have the following investments on December 31, 2011:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair value	**Less than 1**	**1-5**	**6-10**	**10 and greater**	**Credit Rating**
Component Units:						
Local Government Investment Pool	$ 22,136	$ 22,136	$ -	$ -	$ -	not rated
U.S. Treasury Money Market Fund	11,249	11,249	-	-	-	Aaa
U.S. Treasury Notes	970	303	667	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	2,339	3	1,841	495	-	Aaa
Municipal Bonds	296	141	155	-	-	Aa
Corporate Bonds	1,787	317	1,470	-	-	Aa
Negotiable Certificates of Deposit	355	355	-	-	-	Aa
Money Market	1,740	1,740	-	-	-	N/A
	$ 40,872	$ 36,244	$ 4,133	$ 495	$ -	

Custodial Credit Risk

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

As of December 31, 2011 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	**Uninsured and Uncollateralized**
Housing Authority	$ 7,395,798	$ 1,483,251
Redevelopment Authority	10,996,354	1,238,016
Milwaukee Economic Development Corporation	13,308,651	6,284,691
Neighborhood Improvement Development Corporation	2,342,683	1,031,431
Century City Redevelopment Corporation	7,171,296	6,820,411

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

As of December 31, 2011, the Housing Authority had $497,840 of investments exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2011, the Redevelopment Authority had $15,614,035 of investments exposed to custodial credit risk as uninsured and uncollateralized.

3. PROPERTY TAXES

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

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

At December 31, 2011, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	(Thousands of Dollars)		
2006 and prior	$ 714	$ 1,164	$ 1,878
2007	412	662	1,074
2008	1,521	2,387	3,908
2009	4,789	7,431	12,220
2010	12,095	19,495	31,590
Total delinquent property taxes receivable	$ 19,531	$ 31,139	50,670
Property taxes receivable on foreclosed property			24,874
Less: Allowance for uncollectible taxes			(20,746)
Net delinquent property taxes receivable, including tax deeded property			$ 54,798

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental activities	**Balance 01-01-11**	**Additions**	**Deletions**	**Balance 12-31-11**
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 164,210	$ 410	$ -	$ 164,620
Construction in progress	26,513	20,388	10,629	36,272
Intangible right of ways	1,319	23	-	1,342
Total capital assets not being depreciated	192,042	20,821	10,629	202,234
Capital assets being depreciated:				
Buildings	276,816	6,809	1,160	282,465
Infrastructure	1,450,918	27,530	10,888	1,467,560
Improvements other than buildings	11,811	103	23	11,891
Machinery and equipment	173,788	11,478	6,576	178,690
Intangible software	1,364	607	-	1,971
Total capital assets being depreciated	1,914,697	46,527	18,647	1,942,577
Less accumulated depreciation for:				
Buildings	78,395	6,888	969	84,314
Infrastructure	934,550	30,015	10,889	953,676
Improvements other than buildings	7,972	316	13	8,275
Machinery and equipment	100,221	13,119	5,984	107,356
Intangible software	97	271	-	368
Total accumulated depreciation	1,121,235	50,609	17,855	1,153,989
Total capital assets being depreciated, net	793,462	(4,082)	792	788,588
Government activity capital assets, net	$ 985,504	$ 16,739	$ 11,421	$ 990,822

Depreciation expense for governmental activities was charged to functions as follows:	
General government	$ 592
Public safety	8,969
Public works	40,327
Health	269
Culture and recreation	452
Total	$ 50,609

Business-type activities	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Water Works				
Capital assets not being depreciated:				
Land	$ 2,022	$ -	$ 4	$ 2,018
Construction in progress	12,717	34,364	44,252	2,829
Total capital assets not being depreciated	14,739	34,364	44,256	4,847
Capital assets being depreciated:				
Buildings	25,406	2,056	203	27,259
Infrastructure	355,873	24,644	23,500	357,017
Machinery and equipment	206,450	17,551	10,691	213,310
Nonutility property	4,692	730	-	5,422
Total capital assets being depreciated	592,421	44,981	34,394	603,008
Less accumulated depreciation for:				
Buildings	15,974	833	306	16,501
Infrastructure	83,978	4,637	2,373	86,242
Machinery and equipment	104,453	8,597	10,827	102,223
Nonutility property	577	188	-	765
Total accumulated depreciation	204,982	14,255	13,506	205,731
Total capital assets being depreciated, net	387,439	30,726	20,888	397,277
Water Works capital assets, net	402,178	65,090	65,144	402,124
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	-	42	-	42
Total capital assets not being depreciated	-	42	-	42
Capital assets being depreciated:				
Infrastructure	488,707	31,270	115	519,862
Machinery and equipment	4,563	-	-	4,563
Total capital assets being depreciated	493,270	31,270	115	524,425
Less accumulated depreciation for:				
Infrastructure	114,216	5,884	115	119,985
Machinery and equipment	2,646	65	-	2,711
Total accumulated depreciation	116,862	5,949	115	122,696
Total capital assets being depreciated, net	376,408	25,321	-	401,729
Sewer Maintenance capital assets, net	376,408	25,363	-	401,771

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Other business-type activities:				
Capital assets not being depreciated:				
Land	16,231	663	38	16,856
Construction in progress	2,180	2,000	60	4,120
Total capital assets not being depreciated	18,411	2,663	98	20,976
Capital assets being depreciated:				
Buildings	66,392	12	-	66,404
Infrastructure–port	16,620	253	-	16,873
Improvements other than buildings	7,771	227	-	7,998
Machinery and equipment	10,181	123	119	10,185
Total capital assets being depreciated	100,964	615	119	101,460
Less accumulated depreciation for:				
Buildings	39,478	2,213	-	41,691
Infrastructure–port	9,354	290	-	9,644
Improvements other than buildings	5,619	305	-	5,924
Machinery and equipment	5,611	633	95	6,149
Total accumulated depreciation	60,062	3,441	95	63,408
Total capital assets being depreciated, net	40,902	(2,826)	24	38,052
Other business-type activities, net	59,313	(163)	122	59,028
Business-type activity capital assets, net	$ 837,899	$ 90,290	$ 65,266	$ 862,923

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 56,816	$ 1,314	$ 3,679	$ 54,451
Construction in Progress	16,732	38,699	8,353	47,078
Total capital assets not being depreciated	73,548	40,013	12,032	101,529
Capital assets being depreciated:				
Buildings	500,289	24,909	48,050	477,148
Infrastructure	379	-	-	379
Improvements other than buildings	1,725	-	-	1,725
Machinery and equipment	3,718	1,476	147	5,047
Intangibles	-	565	-	565
Total capital assets being depreciated	506,111	26,950	48,197	484,864
Less accumulated depreciation for:				
Buildings	247,884	12,770	30,186	230,468
Infrastructure	41	16	-	57
Improvements other than buildings	453	121	-	574
Machinery and equipment	2,796	459	106	3,149
Machinery and equipment	-	28	-	28
Intangibles				
Total accumulated depreciation	251,174	13,394	30,292	234,276
Total capital assets being depreciated, net	254,937	13,556	17,905	250,588
Component units capital assets, net	$ 328,485	$ 53,569	$ 29,937	$ 352,117

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2011 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		(Thousands of Dollars)			
Current property taxes	$ 183,873	$ 96,313	$ 4,620	$ -	$ 284,806
Delinquent property taxes	9,632	-	-	5,115	14,747
Unearned revenue	-	-	12,335	6,352	18,687
Long-term receivables	-	92,506	-	162	92,668
Unbilled special assessments	-	-	6,808	-	6,808
Total	$ 193,505	$ 188,819	$ 23,763	$ 11,629	$ 417,716

6. SHORT-TERM DEBT

During 2011, the City issued and repaid $100,000,000 of General Obligation Cash Flow Promissory Notes, Series 2011 R2 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2011.

As of December 31, 2010, the City had outstanding $175,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2011, the City repaid the outstanding balance and issued $145,000,000 short-term RANs for the same purpose. The new notes of $145,000,000 bear an interest rate of 1.5% and will mature on June 27, 2012. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2011 were as follows:

	Balance 01-01-11	Additions	Deductions	Balance 12-31-11	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 680,664	$ 312,300	$ 285,581	$ 707,383	$ 98,826
Milwaukee Public Schools	131,519	75,000	88,328	118,191	5,181
Deferred amount on refundings	(2,903)	-	(947)	(1,956)	-
Unamortized premiums	35,478	17,092	9,486	43,084	-
Compensated absences	38,948	10,588	1,955	47,581	2,562
Net other postemployment benefits obligation	169,040	69,349	32,020	206,369	-
Claims and judgments	19,461	10,308	5,890	23,879	6,565
Total governmental activities	$ 1,072,207	$ 494,637	$ 422,313	$ 1,144,531	$ 113,134
Business-type activities					
Water Works					
General obligation bonds and notes	$ 13,453	$ 11,625	$ 3,025	$ 22,053	$ 3,326
Deferred amount on refundings	(112)	-	(70)	(42)	-
Unamortized premiums	406	-	137	269	-
Revenue bonds	8,462	-	964	7,498	989
Compensated absences	1,329	676	926	1,079	1,079
Net other postemployment benefits obligation	3,077	2,108	1,430	3,755	-
Total Water Works	26,615	14,409	6,412	34,612	5,394
Sewer Maintenance					
General obligation bonds and notes	53,437	22,000	22,675	52,762	677
State Loans	80,724	3,303	3,514	80,513	3,742
Revenue bonds	45,275	52,565	35,720	62,120	3,050
Deferred amount on refundings	-	(1,594)	(199)	(1,395)	-
Unamortized premiums	1,342	5,421	1,417	5,346	-
Net other postemployment benefits obligation	1,184	863	586	1,461	-
Total Sewer Maintenance	181,962	82,558	63,713	200,807	7,469
Other Enterprise Funds					
General obligation bonds and notes	15,112	2,520	2,491	15,141	1,970
Deferred amount on refundings	(95)	-	(36)	(59)	-
Unamortized premiums	138	-	46	92	-
Net other postemployment benefits obligation	1,059	751	509	1,301	-
Total Other Enterprise	16,214	3,271	3,010	16,475	1,970
Total business-type activities	$ 224,791	$ 100,238	$ 73,135	$ 251,894	$ 14,833

	Balance 01-01-11	New Issues	Repayments	Balance 12-31-11	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 91,725	$ -	$ 4,105	$ 87,620	$ 570
Unamortized discounts	(91)	-	(6)	(85)	-
Notes payable	50,713	22,831	10,859	62,685	2,674
Advance from other organizations	-	-	-	-	-
Compensated Absences	794	97	-	891	267
Net other postemployment benefits	2,242	957	263	2,936	-
Total component units	$ 145,383	$ 23,885	$ 15,221	$ 154,047	$ 3,511

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2011, general obligation bonds totaling $52,778,627 were issued. $48,194,667 was issued to finance capital improvements and $4,583,960 for business-type activities.

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

Through 2011, $181,793,598 has been borrowed and outstanding for forty-seven TID's. Total debt service requirements associated with these debt issues amounts to $247,304,078. Active Tax increments received through 2011 total $163,125,139. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The $118,191,000 of Milwaukee Public School long-term debt outstanding at December 31, 2011 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2011, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately $1,011,272,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds and State Loans

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2011, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of $3,303,000. The revenue bonds and State loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2011, installment loans totaling $68,626,341 were issued. $29,223,421 was issued to finance capital improvements, $9,167,920 for business-type activities and $30,235,000 to purchase 2010's delinquent taxes.

During 2011, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling $167,000,000. $24,000,000 was issued to finance capital improvements, $22,000,000 for business-type activities, $46,000,000 for general fiscal requirements of the City and $75,000,000 for schools. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

Balance 01-01-11	Additions	Deletions	Balance 12-31-11
78,600	167,000	179,600	66,000

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

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

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2011, the City had no outstanding draws on the letter of credit.

E. Debt Service Requirements

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

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
			(Thousands of Dollars)		
Governmental activities					
2012	$ 104,007	$ 35,715	$ -	$ -	$ 139,722
2013	88,342	31,396	-	-	119,738
2014	73,555	27,479	-	-	101,034
2015	67,997	24,060	-	-	92,057
2016	67,420	20,807	-	-	88,227
2017-2021	265,530	62,905	-	-	328,435
2022-2026	112,588	22,276	-	-	134,864
2027-2031	46,135	1,369	-	-	47,504
Total	$ 825,574	$ 226,007	$ -	$ -	$ 1,051,581
Business-type activities					
Water Works					
2012	$ 3,326	$ 1,089	$ 989	$ 185	$ 5,589
2013	2,936	918	1,015	158	5,027
2014	3,121	769	1,042	131	5,063
2015	2,511	617	1,069	104	4,301
2016	1,817	488	1,098	75	3,478
2017-2021	4,242	1,551	2,285	60	8,138
2022-2026	4,100	505	-	-	4,605
Total	$ 22,053	$ 5,937	$ 7,498	$ 713	$ 36,201
Sewer Maintenance					
2012	$ 677	$ 601	$ 6,792	$ 4,616	$ 12,686
2013	697	571	7,018	4,391	12,677
2014	701	540	7,221	4,183	12,645
2015	703	506	7,412	3,986	12,607
2016	706	472	7,595	3,784	12,557
2017-2021	45,801	1,486	41,729	14,883	103,899
2022-2026	3,477	327	39,233	7,474	50,511
2027-2031	-	-	25,633	1,999	27,632
Total	$ 52,762	$ 4,503	$ 142,633	$ 45,316	$ 245,214
Other Enterprise					
2012	$ 1,970	$ 701	$ -	$ -	$ 2,671
2013	1,810	611	-	-	2,421
2014	1,783	524	-	-	2,307
2015	1,644	440	-	-	2,084
2016	1,307	360	-	-	1,667
2017-2021	4,397	1,042	-	-	5,439
2022-2026	2,230	212	-	-	2,442
Total	$ 15,141	$ 3,890	$ -	$ -	$ 19,031

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Total Component Units					
2012	$ 2,674	$ 1,544	$ 570	$ 409	$ 5,197
2013	177	1,640	990	480	3,287
2014	3,885	1,616	1,195	452	7,148
2015	445	1,488	1,425	423	3,781
2016	902	1,465	1,670	389	4,426
2017-2021	5,239	6,892	13,031	1,333	26,495
2022-2026	4,784	5,995	31,419	377	42,575
2027-2031	4,342	5,653	29,295	124	39,414
2032-2036	6,690	5,167	8,025	5	19,887
2037-2041	9,452	4,434	-	-	13,886
2042-2046	9,888	3,117	-	-	13,005
2047-2051	10,654	1,170	-	-	11,824
2052-2056	127	760	-	-	887
2057-2061	3,426	182	-	-	3,608
Total	$ 62,685	$ 41,123	$ 87,620	$ 3,992	$ 195,420

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2011, the City's legal debt margin was $1,277,147,000. Of this amount, $590,416,000 was for school purposes and $686,731,000 was for City purposes.

G. Refundings

During May 2011, the City issued General Obligation Promissory Notes, Series 2011 N3 with a par amount of $24,998,659 and interest rates from 4% to 5%, Corporate Purpose Bonds, Series 2011 B4 with a par amount of $7,986,341 and interest rates from 4% to 5% and Corporate Purpose Bonds, Series 2011 T5 with a par amount of $2,055,032 and interest rates from 3% to 4.75%. These refundings will reduce future debt service payments by $ 736,142 and result in an economic gain of $642,371. During June 2011, the City issued Sewerage System Revenue Bonds, Series 2011 S1 with a par amount of $52,565,000 and interest rates from 3% to 5%. A portion of the proceeds from this sale was placed in an irrevocable trust that will be used to service the future requirements of the defeased Sewerage System Revenue Bonds. This refunding reduced future debt service payments by $3,188,903 and results in an economic gain of $2,837,397.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2011, $49,325,000 of City bonds and $32,780,000 of Sewerage System Revenue Bonds outstanding is considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2011 is approximately $42,326,000 for the City and $592,077,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

Plan Description **–** The City makes contributions to the Employes' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employes' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

Funding Policy **–** Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The City's contributions to the System for the years ending December 31, 2011, 2010, and 2009, were $22,878,684, $17,371,000, and $19,294,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

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

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

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

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

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends.

The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.
Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately $33,225,000 and $1,320,000, respectively, toward medical and life insurance for retirees.

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

Funding Status and Funding Progress

ARC	$ 71,883,000
Interest on Net OPEB Obligation	7,846,000
Adjustment to ARC	(6,658,000)
Annual OPEB Cost	73,071,000
Contribution made	34,545,000
Increase in net OPEB Obligation	38,526,000
Net OPEB obligation - beginning of year	174,360,000
Net OPEB obligation - end of year	$ 212,886,000

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

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	$ 77,389,000	37.1%	$ 127,074,000
12/31/2010	81,311,000	41.8%	174,360,000
12/31/2011	73,071,000	47.3%	212,886,000

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $916,383,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $916,383,000. The covered payroll (annual payroll of active employees covered by the plan) was $407,840,000 and the ratio of the UAAL to the covered payroll was 225 percent.

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

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between $45 and $65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between $21 and $30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2011, approximately $8,340,000 was paid for sick leave from all funds. At December 31, 2011, accumulated sick leave earned but not taken totaled approximately $172,424,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2011, terminal leave payments totaled $1,939,000 to employees retiring during the year. As of December 31, 2011, the City has accrued approximately $30,139,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $47,581,000 with the remainder accrued vacation leave of $17,442,000.

9. FUND BALANCE

The constraints placed on fund balance for the governmental funds at December 31, 2011 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
			(Thousands of Dollars)			
Nonspendable						
Loans receivable	$ 17	$ -	$ -	$ -	$ -	$ 17
Advances	7,562	-	-	-	-	7,562
Inventory	7,122	-	-	-	-	7,122
Inventory of property for resale	26	-	-	-	-	26
Prepaid items	189	-	-	886	-	1,075
Investment-Targeted Mortgage	128	-	-	-	-	128
Spendable						
Restricted for:						
Grants	-	-	-	-	5,800	5,800
Economic Development	-	-	-	-	55	55
Committed to:						
Contributions	2,995	-	-	-	-	2,995
Debt	-	126,222	67,264	-	-	193,486
Delinquent taxes	-	-	-	-	29,514	29,514
Assigned to:						
Conservation and development	113	-	-	-	-	113
General government	9,281	-	-	-	-	9,281
Health	181	-	-	-	-	181
Housing trust	390	-	-	-	-	390
Library	118	-	-	-	-	118
Public safety	2,055	-	-	-	-	2,055
Public works	570	-	-	-	-	570
2012 budgetary financing	13,767	-	-	-	-	13,767
Environmental remediation	303	-	-	-	-	303
Unassigned	27,169	-	-	(1,003)	-	26,166
Total Fund Balance	$ 71,986	$ 126,222	$ 67,264	$ (117)	$ 35,369	$ 300,724

Reserved for Tax Stabilization and Advances to Other Funds

A tax stabilization arrangement is incorporated into the City's adopted a *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2011, the tax stabilization reserve was $48,704,000. Of this amount, $13,767,000 has been committed to the funding of the 2012 General Fund budget and $34,937,000 is unassigned for 2013 and subsequent years' budgets. This Reserve includes an amount for advances of $7,562,000 from the General Fund to the Capital Projects Fund. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the reserved for tax stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budgeted, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council prior to budget adoption.

Fund deficit

The Capital Projects Fund had a deficit fund balance of $117,000 as of December 31, 2011, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2012.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2011 were as follows:

		Due From					
		General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
				(Thousands of Dollars)			
Due To	General Fund	$ -	$ 15	$ 2,066	$ -	$ -	$ 2,081
	General Obligation Debt	-	-	4,415	-	-	4,415
	Capital Projects	7,592	-	-	-	-	7,592
	Nonmajor Governmental Funds	7,481	-	-	-	-	7,481
	Water Works	15,333	-	-	668	635	16,636
	Sewer Maintenance	-	-	-	-	-	-
	Nonmajor Enterprise Funds	8,162	-	-	-	-	8,162
	Totals	$ 38,568	$ 15	$ 6,481	$ 668	$ 635	$ 46,367

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

Interfund transfers for the year ended December 31, 2011 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 1,818	Funding for debt payments
	Nonmajor Governmental Funds	9,785	Subsidize uncollected property taxes
	Capital Projects	85	Capital close outs
	Water Works	11,151	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	1,405	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	20,787	Subsidy for operations
	Nonmajor Enterprise Funds	2,345	Excess earnings of Port
	Subtotal General Fund	**47,376**	
General Obligation Debt	General	100,000	Funding for cash flow debt
	General	2,077	Funding for debt payments
	Public Debt Amortization	5,924	Capital Projects
	Capital Projects	53	Capital close outs
	Capital Projects	406	Tax Incremental District closeouts
	Nonmajor Governmental Funds	26,333	Funding for debt payments
	Sewer Maintenance	8,678	Subsidy for operations
	Nonmajor Enterprise Funds	597	Subsidy for operations
	Subtotal Debt Service	**144,068**	
Public Debt Amortization	General Obligation Debt	3,657	Funding for debt payments
	Subtotal Public Debt Amortization	**3,657**	
Nonmajor Enterprise	General Obligation Debt	617	Funding for debt payments
	Subtotal Nonmajor Proprietary	**617**	
	Total Interfund Transfers	**$ 195,718**	

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

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2011 were as follows:

Component Unit Payable	Primary Government's Receivable (Thousands of Dollars)
Due from HACM for reimbursable expenditures	$ 495
Due from RACM for reimbursable expenditures	12
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	19,293
Due from MEDC for reimbursements for expenditures	35
Due from MEDC for tax incremental district loans	497
Due from NIDC for home and Community Development Block grants	26
Total	$ 20,358

Component Unit Receivable	Primary Government's Payable (Thousands of Dollars)
Due to RACM for tax incremental projects	$ 70
Due to RACM for urban renewal projects	73
Due to RACM Community Development Block grants and Home grants	118
Due to HACM for reimbursable expenditures	19
Due to HACM Community Development Block grants and Home grants	304
Total	$ 584

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2012 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
	(Thousands of Dollars)
2012	$ 5,734
2013	5,604
2014	4,751
2015	4,701
2016	3,782
2017-2021	15,749
2022-2026	8,067
2027-2031	7,298
2032 and beyond	11,065
Total	$ 66,751

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

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

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

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

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2011 were as follows:

General liability claims	$ 6,125,000
Workers' compensation claims	11,033,000
Unemployment claims	1,022,000
Health insurance claims	4,268,000
Pollution remediation obligation	1,431,000

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

	2010	2011
Beginning of year liability	$ 23,719,000	$ 19,461,000
Current year claims and changes in estimates	2,812,000	10,308,000
Claim payments	(7,070,000)	(5,890,000)
End of year liability	$ 19,461,000	$ 23,879,000

Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases.

In a civil rights action, plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot a person. The officer subsequently committed suicide after he was charged criminally with the murder. In this ensuing civil litigation, the City has vigorously contested the plaintiffs' claims that the officer was acting within the scope of his employment and under color of law at the time of the shooting. The court ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The City has recently filed a motion on certain evidentiary issues that would have the effect of a dismissal of the case if granted. In the event that the motion is denied, however, the matter is set for trial later in 2012.

Environmental Liabilities

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of $563,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, clean up is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

During 2011, the City spent $304,000 in pollution remediation-related activities. At December 31, 2011, the City has an outstanding liability of $1,431,000 related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued $350,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. $150,000 of these costs is meant to bring closure to the Hartung Quarry by constructing a sledding hill and additional landscaping. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's,* establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and are therefore, not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2011.

Commitments

The following is a list of encumbrances by function at December 31, 2011:

	General Fund	Capital Projects	Water Works	Total
		(Thousands of Dollars)		
General government	$ 9,281	$ 2	$ -	$ 9,283
Conservation and development	113	8,465	-	8,578
Health	181	-	-	181
Housing trust	390	-	-	390
Library	118	626	-	744
Public safety	2,055	1,212	-	3,267
Public works	570	-	-	570
Infrastructures	-	15,204	3,391	18,595
Total	$ 12,708	$ 25,509	$ 3,391	$ 41,608

14. SUBSEQUENT EVENTS

On May 3, 2012, the City issued $6,085,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $3,540,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2032. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $8,455,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2027. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $113,430,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $100,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 4, 2012 with interest.

On May 22, 2012, the City issued $70,000,000 of extendable municipal commercial paper notes for various governmental purposes. The final maturity is on May 22, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILWAUKEE

Exhibit E-1

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Budgeted Amounts		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	$ 176,588	$ 176,588	$ 166,841	$ (9,747)
Other taxes	4,634	4,634	4,371	(263)
Licenses and permits	12,429	12,429	13,289	860
Intergovernmental	271,595	271,596	273,240	1,644
Charges for services	96,108	98,633	103,493	4,860
Fines and forfeits	5,255	5,255	5,076	(179)
Other	10,849	10,880	13,387	2,507
Total Revenues	577,458	580,015	579,697	(318)
Expenditures:				
Current:				
General government	247,285	237,305	229,556	7,749
Public safety	258,799	259,954	258,994	960
Public works	90,476	96,840	96,557	283
Health	9,328	9,276	8,872	404
Culture and recreation	16,092	16,120	15,566	554
Conservation and development	3,687	4,067	3,991	76
Total Expenditures	625,667	623,562	613,536	10,026
Deficiency of Revenues over Expenditures	(48,209)	(43,547)	(33,839)	9,708
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	100,000	100,000
Transfers in	34,353	36,170	47,376	11,206
Transfers out	-	-	(102,077)	(102,077)
Contributions received	32,343	32,871	24,021	(8,850)
Contributions used	(31,247)	(32,536)	(23,121)	9,415
Use of fund balance - reserved for tax stabilization	14,600	14,600	14,600	-
Total Other Financing Sources and Uses	50,049	51,105	60,799	9,694
Net Change in Fund Balance	1,840	7,558	26,960	19,402
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	45,026	45,026	45,026	-
Fund Balance - Ending	**$ 46,866**	**$ 52,584**	**$ 71,986**	**$ 19,402**

Explanation of Differences of Budget to GAAP:
For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is $14.6 million at January 1, 2011.
Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit E-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011
(unaudited)

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%
1/1/2010	-	1,007,573,100	1,007,573,100	0.0%	413,647,606	243.6%
1/1/2011	-	916,383,400	916,383,400	0.0%	407,839,733	224.7%

See accompanying independent auditors' report.

Budgets and Budgetary Accounting

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

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

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	January 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	8.5% per year graded down to 4.5% per year ultimate trend in 0.5% increments.

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

STATISTICAL SECTION

Pages 101-160 Omitted

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APPENDIX C

FORM OF INDENTURE AND RTV ADDENDUM

(Excluding Addendums for Other Modes)

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TRUST INDENTURE

by and between

CITY OF MILWAUKEE

and

U.S. BANK NATIONAL ASSOCIATION,

as trustee

dated as of August 1, 2012

Relating To

$30,000,000
CITY OF MILWAUKEE
GENERAL OBLIGATION CORPORATE PURPOSE
MULTIMODAL BONDS
SERIES 2012
F9 AND V10

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of August 1, 2012 (this "Indenture"), is between the **CITY OF MILWAUKEE** (the "City"), a municipal corporation of the State of Wisconsin, and **U.S. BANK NATIONAL ASSOCIATION** (the "Trustee"), a national banking association duly organized, validly existing and authorized to accept the duties and obligations set out by virtue of the laws of the United States and having a corporate trust office located in the City of Milwaukee, Wisconsin, as trustee,

WITNESSETH:

WHEREAS, pursuant to Section 67.05(5)(b) of the Wisconsin Statutes the City is authorized to issue municipal bonds the City has authorized to issue under Chapter 67 of the Wisconsin Statutes; and

WHEREAS, pursuant to Resolution File Number 111567 adopted on June 12, 2012 (the "Bond Resolution"), the Common Council of the City has authorized the issuance of general obligation bonds in the form of extendable variable rate multi-modal bonds (the "Bonds") in an aggregate principal amount not to exceed $30,000,000; and

WHEREAS, on June 20, 2012 the Commissioners of the Public Debt of the City adopted a resolution (the "PDC Bond Resolution") approving the sale of the Bonds in accordance with the Bond Resolution; and

WHEREAS, the City wishes to provide in this Indenture for the issuance, of its Bonds in an aggregate principal amount not to exceed $30,000,000 as authorized by the Bond Resolution, and designated as "City of Milwaukee, General Obligation Corporate Purpose MultiModal Bonds, Series 2012 [Series Sequence], ([Mode])" with separate subseries as determined necessary by the City; and

WHEREAS, the City wishes to provide in this Indenture that such Bonds be general obligations of the City and the Trustee is willing to accept the trusts provided in this Indenture; and

WHEREAS, the execution and delivery of this Indenture and the execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

BUT IN TRUST NEVERTHELESS, and except as herein otherwise provided, for the equal and proportionate benefit and security of the Bonds issued hereunder and secured by this Indenture, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of any one Bond over any other or from the others by reason of priority in the issue or negotiation thereof or by reason of the date or dates of maturity thereof, or for any other reason whatsoever, so that each and all of the Bonds shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery hereof to the benefit, protection and security provided by this Indenture for the Owners of the Bonds.

PROVIDED FURTHER, HOWEVER, that these presents are upon the condition that, if the City, or its successors, shall well and truly pay or cause to be paid, or provide, pursuant to Section 11.1 hereof, for the payment of all principal, premium, if any, and interest on the Bonds due or to become due thereon and all other amounts secured hereby, at the times and in the manner stipulated therein and herein, then this Indenture and the rights hereby granted shall cease, terminate and be void, but shall otherwise be and remain in full force.

AND IT IS HEREBY COVENANTED AND AGREED by and among the City, the Trustee and the Owners of the Bonds from time to time, that the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become the Owners thereof, and the trusts and conditions upon which the moneys and securities hereby pledged are to be held and disposed of, which trusts and conditions the Trustee hereby accepts, are as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. The following terms shall, for all purposes of this Indenture, have the following meanings unless a different meaning clearly appears from the context:

"*Authorized City Representative*" means the Comptroller, the Deputy Comptroller, the Treasurer, the Deputy Treasurer and the Accounting Manager or such other officer or employee of the City or other person, which other officer, employee or person has been designated by the Comptroller as an Authorized City Representative by written notice delivered by the Comptroller to the Trustee.

"*Authorized Denominations*" means $5,000 and any integral multiple thereof, unless otherwise defined in a Mode Addendum.

"*Beneficial Owner*" means, so long as the Bonds are held in the Book-Entry-Only System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry-Only System, Beneficial Owner means Owner for purposes of this Indenture.

"*Bond Counsel*" means the firm of Katten Muchin Rosenman LLP, Chicago, Illinois, or any other law firm designated by the City having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, acceptable to the Trustee.

"*Bond Proceeds*" means proceeds of the sale of the Bonds or any moneys, securities or other obligations that may be deemed to be proceeds of the Bonds within the meaning of the Code.

"*Bond Year*" means each annual period beginning on February 15th of a calendar year to and including February 14th of the next succeeding calendar year.

"*Bondholder*," "*holder*," "*owner*" or "*registered owner*" means the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar or Trustee.

"*Bonds*" means the $30,000,000 aggregate principal amount General Obligation Corporate Purpose Multimodal Bonds, Series 2012 F9 and V10, of the City and any Bonds issued hereunder in substitution or replacement therefor.

"*Business Day*" means any day other than a Saturday, Sunday or (a) a day on which banking institutions located (i) in the city in which the designated office of the Trustee is located, (ii) in the city in which the corporate trust office of the Trustee at which the Bonds may be tendered for purchase by the holders thereof is located, and (iii) in the city in which the principal office of the Remarketing Agent is located, or (b) a day on which The New York Stock Exchange is closed.

"*Calculation Agent*" means the Trustee, or its successor appointed by the City.

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

"*City Purchase Account*" means the account by that name created in Section 3.14(b) hereof.

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

"*Comptroller*" means the Comptroller of the City.

"*Conversion Date*" means, with respect to all or a portion of the Bonds (other than Bonds in the Fixed Rate Mode) to be converted to a Fixed Rate, the date on which such Bonds begin to bear interest at a Fixed Rate.

"*Costs of Issuance Fund*" means the trust fund of that name established in Section 4.3 hereof.

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

"*Current Mode*" has the meaning specified in Section 3.5(a)(i) hereof.

"*Date of Issuance*" means _____ ___, 2012 and each subsequent date that a Series or subseries of Bonds are issued pursuant to this Indenture.

"*Debt Service Fund*" means the account of that name established in Section 4.4 hereof.

"*Defaulted Interest*" means interest on any Bond which is payable but not duly paid on the date due.

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

"*Defeasance Obligations*" means (a) Defeasance Government Obligations and (b) Pre-refunded Municipal Obligations.

"*Delivery Office*" shall mean, for the Remarketing Agent, such address as shall be specified in any Remarketing Agreement delivered pursuant to this Indenture.

"*Designated Representative*" means the Comptroller, the Deputy Comptroller, the Treasurer, the Deputy Treasurer and the Accounting Manager and any additional individuals who have been identified and whose signatures have been certified in a certificate of an Authorized City Representative delivered to the Trustee.

"*DTC*" means The Depository Trust Company, New York, New York.

"*Extension Rate*" means with respect to a Mode, the Extension Rate that may be defined for a mode in the applicable Mode Addendum.

"*Event of Default*" means any event so designated and specified in Section 7.1 hereof.

"*Extended Mandatory Purchase Date*" means with respect to a Mode, the Extended Mandatory Purchase Date as defined in the Mode Addendum for the Bonds.

"*Favorable Opinion of Bond Counsel*" means an Opinion of Bond Counsel stating that such conversion is authorized or permitted by the Indenture, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds.

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

"*Final Mandatory Purchase Date*" means with respect to a Mode, the Final Mandatory Purchase Date as defined in the Mode Addendum for the Bonds.

"*Fitch*" means Fitch Ratings, its successors and assigns, and, if Fitch shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Fixed Rate*" means the per annum interest rate on any Bond in the Fixed Rate Mode determined pursuant to Section 3.4(a) hereof.

"*Fixed Rate Bond*" means a Bond in the Fixed Rate Mode.

"*Fixed Rate Mode*" means the Mode during which the Bonds bear interest at the Fixed Rate.

"*Fixed Rate Period*" means for the Bonds in the Fixed Rate Mode, the period from the Mode Change Date upon which the Bonds were converted to the Fixed Rate Mode to but not including the Maturity Date for the Bonds.

"*FRN Rate Mode*" means the mode that is designated, from time to time, to be the FRN Rate Mode as defined in the Mode Addendum for Floating Rate Bonds attached hereto as *Exhibit C*.

"*Government Obligations*" means (a) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and (b) certificates of ownership of the principal of or interest on obligations of the type described in clause (a) of this definition, (i) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (ii) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations, and (iii) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"*Immediate Notice*" means notice by telephone, telex or telecopier or by facsimile transmission or other similar electronic means of communication, not including electronic mail transmission, proving evidence of transmission to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail, postage prepaid; provided, however, that if any person required to give an Immediate Notice shall not have been provided with the necessary information as to the telephone, telex, telecopier, facsimile or other similar electronic address of an addressee, Immediate Notice shall mean written notice by first class mail, postage prepaid.

"*Indenture*" means this Trust Indenture, dated as of August 1, 2012, by and between the City and the Trustee, as from time to time amended and supplemented.

"*Initial Tender Date*" means the Initial Tender Date as specified in any Mode Addendum for the Bonds.

"*Interest Accrual Period*" means the period during which a Bond accrues interest payable on the next Interest Payment Date applicable thereto. With respect to any Mode, each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original authentication and delivery of the Bonds, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any Bond, interest is in default or overdue on the Bonds, such Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds.

"*Interest Payment Date*" means each date on which interest is to be paid and is: (i) with respect to Bonds in a certain Mode (other than Bonds in the Fixed Rate Mode), the Interest Payment Date as specified in the applicable Mode Addendum for the Bond; (ii) with respect to

the Bonds in Fixed Rate Mode, February 15 and August 15 of each year or, upon the receipt by the Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by the City (beginning with the first such day which is at least three months after the Mode Change Date); (iii) (without duplication as to any Interest Payment Date listed above) any Mode Change Date and the Maturity Date; and (iv) (without duplication as to any Interest Payment Date listed above), for a bond subject to purchase on a Mandatory Purchase Date, the applicable Mandatory Purchase Date.

"*Interest Period*" means, for the Bonds in a particular Mode, each period of time that the Bonds bear interest at the specific rate (per annum) which becomes effective at the beginning of the applicable period.

"*Interest Account*" means the account of that name in the Debt Service Fund.

"*Investment Securities*" means any of the following securities authorized by law as permitted investments of City funds at the time of purchase thereof:

(1) Government Obligations;

(2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(3) direct and general long-term obligations of any state, which obligations are rated in either of the two highest rating categories by Moody's and by S&P, if S&P then maintains a rating on such obligations;

(4) direct and general short-term obligations of any state which obligations are rated in the highest rating category by Moody's and by S&P, if S&P then maintains a rating on such obligations;

(5) interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"), which deposits or interests must either be (a) continuously and fully insured by FDIC and with banks that are rated at least " P-1" or "Aa" by Moody's and at least "A-l" or "AA" by S&P, if such banks are then rated by S&P, or (b) fully secured by United States Obligations (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the principal amount of the deposits or interests, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or depositary acceptable to the Trustee, (iii) subject to a perfected first lien in the Trustee, and (iv) free and clear from all third-party liens;

(6) long-term or medium-term corporate debt guaranteed by any corporation that is rated by both Moody's and S&P in either of their two highest rating categories;

(7) repurchase agreements which are (a) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from Moody's and S&P, if S&P then maintains a rating of such institution, and (b) fully secured by investments specified in Section (1) or (2) of this definition of Permitted Investments (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien in the Trustee, and (iv) free and clear from all third-party liens;

(8) prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's and at least "A-1" by S&P, if S&P then maintains a rating on such paper;

(9) shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (a) a money market fund that has been rated in the highest rating category by each Rating Agency, or (b) a money market fund or account of the Trustee or any state or Federal bank that is rated in the highest rating category by each Rating Agency;

(10) Local Government Investment Pool provided that the Trustee is furnished with a control agreement with respect to the subaccount of the Pool containing Indenture funds in order to provide the Trustee a perfected security interest in such subaccount; and

(11) any other type of investment in which the City directs the Trustee to invest, provided that there is delivered to the Trustee a certificate of an Authorized City Representative stating that each of the Rating Agencies then maintaining a rating on the Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any Bonds.

"*Letter of Representations*" means the Blanket Issuer Letter of Representations between the City and DTC, relating to the book-entry only system for the Bonds.

"*Local Government Investment Pool*" means the Local Government Pooled-Investment Fund pursuant to Section 25.50 of Wisconsin Statutes, or such other fund as may be designated by the State of Wisconsin as an authorized investment for local governments. The Local Government Investment Pool investment may be held by the City in a separate account pledged

to this Trust Indenture, and the City shall promptly pay over to the Trustee any withdrawal requests.

"*Long-Term Mode*" means a Fixed Rate Mode, the Term Rate Mode or other modes designated as such in the Mode Addendum.

"*Mandatory Purchase Date*" means with respect to any Bond in a certain Mode: (i) the Extended Mandatory Purchase Date, as defined in the applicable Mode Addendum for the Bond; and (ii) any Mode Change Date.

"*Maturity Date*" means February 15, 2032.

"*Maximum Rate*" means the least of: (i) nine percent (9%) and (ii) the maximum rate of interest permitted by applicable law.

"*MMD Rate*" means the interest rate most recently released, as of the applicable date of determination, by Municipal Market Data for its "Aaa" General Obligation Yield for uninsured bonds for a term equal to thirty years.

"*Mode*" means, as the context may require, the Fixed Rate Mode, the FRN Rate Mode, the RTV Mode, the Term Rate Mode or any other mode as may be defined by a Mode Addendum.

"*Mode Addendum*" means any Addendum that defines a mode for the Bonds. A new Mode Addendum that redefines an existing mode shall not apply to outstanding Bonds in such existing mode until such Bonds are purchased and remarketed pursuant to the terms of the new Mode Addendum.

"*Mode Change Date*" means with respect to the Bonds in a particular Mode, the day on which another Mode for the Bonds begins.

"*Mode Change Notice*" means the notice from the City to the other Notice Parties of the City's intention to change the Mode with respect to the Bonds.

"*Moody's*" means Moody's Investors Service, its successors and assigns, and, if Moody's shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*New Mode*" shall have the meaning specified in Section 3.5(a) hereof.

"*Notice Parties*" means the City, the Trustee and the Remarketing Agent.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel in form and substance acceptable to the City and the Trustee, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

"*Optional Purchase Date*" shall have the meaning with respect to a Bond as set forth in the applicable Exhibit hereto.

"*Outstanding*" means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

(a) Any Bonds canceled by the Trustee at or prior to such date;

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

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture; and

(d) Bonds deemed to have been paid as provided in Section 11.1(B) hereof.

"*Owner*" means the registered owner of a Bond, including the Securities Depository, if any, or its nominee.

"*Owner*" means any person who shall be the registered owner of any Bond.

"*Participant,*" when used with respect to any Securities Depository, means any participant of such Securities Depository.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Representative or the Trustee pursuant to Section 8.2 or 8.1(B), respectively, hereof as a paying agent for the Bonds, and any successor or successors appointed by a Designated Representative or the Trustee under this Indenture.

"*Payment Default*" means any failure to make timely payment of principal, redemption price or interest on the Bonds when due.

"*Payment Instructions*" means the payment instructions provided by the City to the Trustee pursuant to each Project Fund Requisition as described in *Exhibit B* attached hereto.

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

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which

irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), the same or higher than obligations of the United States of America by any two of S&P, Moody's and Fitch or any successors thereto; or

(b) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Account*" means the account of that name in the Debt Service Fund established in Section 4.4 hereof.

"*Principal Payment Date*" means any date upon which the principal amount of Bonds is due hereunder, including the Maturity Date, any Serial Maturity Date, or any Redemption Date.

"*Project*" means any undertaking, facility or item which is listed or otherwise described in a Tax Agreement of the City, as from time to time amended, as being financed in whole or in part with the proceeds of the Bonds, which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds of the sale of the Bonds, which may include the refunding of outstanding indebtedness of the City.

"*Project Fund*" means the Project Fund established in Section 4.6 hereof.

"*Purchase Date*" means (i) for any Mode the Optional Purchase Date, with respect to such Mode as defined in the Mode Addendum for such Bond; (ii) any Initial Tender Date; and (iii) any Mandatory Purchase Date.

"*Purchase Fund*" means the fund by that name created in Section 3.14 hereof.

"*Purchase Price*" means an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus accrued interest, if any, provided that the Purchase Price on any Purchase Date occurring after the Record Date for the applicable payment of accrued interest shall not include such accrued interest, and such interest shall be paid separately in the ordinary course to the owner of the applicable Bond on the applicable Record Date.

"*Rate Determination Date*" means any date on which the interest rate on Bonds shall be determined, which, (i) in the case of other than the Fixed Rate Mode, a Rate Determination Date with respect to such Mode as specified in the Mode Addendum for the Bond; and (ii) in the case

of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

"*Rating Agency*" means, as long as it is rating the Bonds, (i) Standard & Poor's, (ii) Fitch, (iii) Moody's, or (iv) any other nationally recognized credit rating agency specified in a Supplemental Indenture.

"*Rating Confirmation Notice*" means a written notice from Moody's, S&P or Fitch, as appropriate, confirming that the unenhanced rating on the Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

"*Record Date*" means (i) with respect to Bonds in a certain Mode (other than Bonds in Fixed Rate Mode), the Record Date as specified in such Mode Addendum for the Bonds; and (ii) with respect to Bonds in Fixed Rate Mode, the first (1st) day (whether or not a Business Day) of the month of each Interest Payment Date.

"*Redemption Date*" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, and unpaid accrued interest, if any, payable upon the date fixed for redemption.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Representative under this Indenture and designated as registrar for the Bonds, and its successor or successors.

"*Remarketing Agent*" means any investment banking firm or firms which shall be appointed by the City with respect to a Series of Bonds of a particular Mode to act as Remarketing Agent under this Indenture as provided herein and shall include an underwriter acting in a similar capacity.

"*Remarketing Agreement*" means that certain Remarketing Agreement relating to the Bonds by and between the City and the Remarketing Agent or any similar agreement between the City and a Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

"*Remarketing Proceeds Account*" means each of the accounts by that name created in Section 3.14(a) hereof.

"*Representative Amount*" means an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Repurchase Agreements*" means repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the Regulations issued thereunder. The government securities that are the subject of

such repurchase agreements, unless registered or inscribed in the name of the City, shall be purchased through banks or trust companies authorized to do business in the State of Wisconsin.

"*Revenues*" means all amount received by the Trustee from the City pursuant to the Indenture, prepayments, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, but not including the Bond Purchase Fund or the Rebate Fund.

"*RTV Mode*" means the mode that is designated, from time to time, to be the RTV Mode, as defined in the Mode Addendum for Rolling Tender Variable Rate Bonds attached hereto as *Exhibit D*.

"*Securities Depository*" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Bonds.

"*Serial Bonds*" means the Bonds maturing on the Serial Maturity Dates, as determined pursuant to Section 3.5(a) hereof.

"*Serial Maturity Dates*" means the dates on which the Serial Bonds mature, as determined pursuant to Section 3.5(b) hereof.

"*Serial Payments*" means the payments to be made in payment of the principal of the Serial Bonds on the Serial Maturity Dates.

"Series" means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, and any Bonds thereafter, issued, authenticated and delivered pursuant to this Indenture.

"*Short-Term Mode*" means any mode designated as such in a Mode Addendum.

"*SIFMA*" means the Securities Industry and Financial Markets Association (formerly the Bond Market Association) or any successor thereto.

"*SIFMA Rate*" means, on any date, the interest rate set forth in the SIFMA Index.

"*SIFMA Index*" means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the Remarketing Agent (or if the Remarketing Agent fails to do so, the City) shall deem most nearly equivalent thereto.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Bond and Notes - State and Local Government Series.

"*S&P*" means Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform

the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*State*" means the State of Wisconsin.

"*Tax Agreement*" means an Agreement, as amended from time to time, executed and delivered on behalf of the City by a Designated Representative on the date the Bonds are issued and delivered, with respect to the requirements of Section 148 (or any successor section) of the Code relating to a Series.

"*Tender Notice*" means a notice delivered by Electronic Means or in writing that states (i) the Series description, CUSIP, and principal amount of such Bond to be purchased pursuant to this Indenture, (ii) electronic and telephone contact information of the tenderer, and applicable payment instructions with respect to the Bonds being tendered for purchase, (iii) an irrevocable demand for such purchase, and (iv) such additional information as may be required by a Mode Addendum for the Bond.

"*Term Rate Mode*" means the mode that is designated, from time to time, to be the Term Rate Mode as defined in the Mode Addendum for Term Rate Bonds attached hereto as *Exhibit E*.

"*Trustee*" means U.S. Bank National Association and any successor or successors appointed under this Indenture as hereinafter provided. The "designated office" of the Trustee means the Trustee's office as set forth in Section 11.10 hereof, or such other address as is provided by the Trustee.

Section 1.2 Miscellaneous Definitions. As used herein, and unless the context shall otherwise indicate, the words "Bond," "Owner," and "Person" shall include the plural as well as the singular number.

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

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

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.1 Authorization and Issuance of Bonds.

(A) The City shall not issue any Bonds under the provisions of this Indenture except in accordance with the provisions of this Article II. The total principal amount of Bonds that may be issued hereunder is expressly limited to $30,000,000 (other than Bonds issued in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture).

(B) Bonds entitled to the benefit, protection and security of this Indenture are hereby authorized to be issued, from time to time, in one or more Series or subseries, in one or more modes, in the aggregate principal amount of not to exceed $30,000,000. Each Bond of a Series or subseries shall be in an Authorized Denomination.

(C) The Bonds shall be issuable as fully registered Bonds, without coupons, in Authorized Denominations, substantially in the form attached as *Exhibit A* hereto, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture; provided that a Mode Addendum may specify a variation of the form for Bonds in that Mode. Unless the City shall otherwise direct, the Bonds shall be lettered and numbered from R-1 and upwards. Each Series of Bonds, as initially issued, shall be dated the Date of Issuance and shall mature, subject to optional and mandatory redemption as provided in Article III hereof and further subject to the designation of additional maturity dates in connection with a Conversion Date, on the Maturity Date. Bonds of each Series or subseries shall be issued by the City and authenticated by the Trustee upon the written request of the City.

(D) Each Bond authenticated prior to the first Interest Payment Date thereon shall bear interest from the Date of Issuance and thereafter interest shall accrue as set forth in Article III hereof except that if, as shown by the records of the Trustee, interest on such Bond shall be in default, any Bond issued in exchange for or upon the registration of transfer of such Bond shall bear interest from the date to which interest has been paid in full on such Bond or, if no interest has been paid on such Bond, the Date of Issuance.

(E) The principal and purchase price of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

(F) The net proceeds of the Bonds, upon receipt, shall be applied as provided in Section 2.10 hereof.

(G) So long as the Bonds are held by a Securities Depository, notices, and payments of principal of and interest on the Bonds shall be made in accordance with the requirements of the Securities Depository.

Section 2.2 Execution and Authentication.

(A) The Bonds shall be executed in the name of the City as provided in Section 67.08 of the Wisconsin Statutes, the City Charter of the City and the Bond Resolution. Each Bond shall be executed in the name of the City by the manual or facsimile signatures of its Mayor, countersigned by the manual or facsimile signature of the Comptroller and attested by the manual or facsimile signatures of the Commissioners of the Public Debt of the City. The seal of the City shall be imprinted or impressed on each Bond and attested by the manual or facsimile signature of the City Clerk. In case any officer whose signature or whose facsimile signature shall appear on any Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile signature thereof shall, nevertheless, be valid and sufficient for all purposes the same as if he or she had remained in office until authentication. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond will be valid even

if that person is not the proper officer on the nominal date of action and even though, at the date of this Indenture, such person was not such officer.

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

Section 2.3 Interchangeability of Bonds. Subject to the provisions of Section 2.5 hereof, any Bond, upon surrender at the designated office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney, may, at the option of the Owner and upon payment of any taxes, fees or charges as provided in Section 2.5, be exchanged for an equal aggregate principal amount of fully registered Bonds having the same Maturity Date and tenor of any other Authorized Denominations.

Section 2.4 Negotiability, Transfer and Registration.

(A) Subject to the limitations contained in subsections (C) and (F) of this Section, upon surrender for registration of transfer of any Bond at the designated office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Owner or such Owner's attorney duly authorized in writing, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees a new Bond or Bonds of like date and tenor in Authorized Denominations of the same Maturity Date for the aggregate principal amount which the Owner is entitled to receive bearing numbers not contemporaneously Outstanding. Subject to the limitations contained in subsections (C) and (F) of this Section, Bonds may be exchanged at such times at such designated office of the Trustee upon surrender thereof together with an assignment duly executed by the Owner thereof or such Owner's attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of Bonds of like date and tenor of any Authorized Denomination as the Bonds surrendered for exchange bearing numbers not contemporaneously Outstanding. The execution by the City of any Bond of any Authorized Denomination shall constitute full and due authorization of such Authorized Denomination, and the Trustee shall thereby be authorized to authenticate and deliver such registered Bond.

(B) No service charge shall be imposed upon the Owners for any exchange or transfer of Bonds. The City and the Trustee may, however, require payment by the person requesting an exchange or transfer of Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption in part.

(C) Subsequent to the Conversion Date for any Bond, the Trustee shall not be required to transfer or exchange such Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Bond and ending on such Interest Payment Date, or to transfer or exchange such Bond after the mailing of notice calling such Bond for redemption has been made as herein provided or during the period of fifteen (15) days next preceding the giving of notice of redemption of Bonds of the same Maturity Date and interest rate which were converted on the same date. Prior to the Conversion Date applicable to any Bonds, the Trustee shall not be required to exchange or register the transfer of such Bond after the mailing of notice calling such Bond for redemption has been made as herein provided, except that the City and the Trustee shall be required to issue or register the transfer of tendered Bonds after such date of mailing of notice of redemption.

(D) Bonds delivered upon any registration of transfer or exchange as provided herein or as provided in Section 2.5 hereof shall be valid obligations of the City, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bond surrendered.

(E) The City, the Trustee, the Remarketing Agent and any Paying Agent may treat the Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of, premium, if any, and interest on any such Bond as herein provided shall be made only to or upon the written order of the Owner thereof or such Owner's legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(F) In the event that sufficient moneys are on deposit with the Trustee to pay the applicable purchase price of any tendered Bond as provided herein, such tendered Bond shall be deemed to have been purchased whether or not delivered by the Owner thereof on the date such tendered Bond is to be purchased. In the event any such purchased tendered Bond is not so delivered, the City shall execute and the Trustee shall authenticate and deliver a replacement Bond of like date, Maturity Date and denomination as the tendered Bond and bearing a number not contemporaneously outstanding.

Section 2.5 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of like Maturity Date and principal amount, as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the City and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the City and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the City or the Trustee may prescribe and paying such expenses as the City and Trustee may incur. All Bonds so surrendered to the Trustee shall be canceled by the Trustee in accordance with Section 11.5 hereof. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part

of the City, whether or not the Bonds so alleged to be destroyed, stolen or lost shall be found at any time or be enforceable by anyone, shall be entitled to equal and proportionate benefits with all other Bonds issued under this Indenture and shall be equally secured by the moneys or securities held by the Trustee for the benefit of the Owners.

Section 2.6 Temporary Bonds.

(A) Until the definitive Bonds are prepared, the City may execute, in the same manner as is provided in Section 2.2, and, upon the request of the City, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to exchangeability, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in Authorized Denominations, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The City shall prepare and execute and, upon the surrender of such temporary Bonds the Trustee shall authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive Bonds of the same aggregate principal amount and Maturity Date as the temporary Bonds surrendered in Authorized Denominations. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Indenture.

(B) The Owner of any temporary Bond or Bonds may, at its option, surrender the same to the Trustee in exchange for another temporary Bond or Bonds of like aggregate principal amount and Maturity Date of any Authorized Denominations, and thereupon the City shall execute and the Trustee shall authenticate and, in exchange for the temporary Bond or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 2.4(B), shall deliver a temporary Bond or Bonds of like aggregate principal amount and maturity in such other Authorized Denominations as shall be requested by such Owner.

(C) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Trustee.

Section 2.7 Required Information in Bond Form.

(A) On each date on which the Trustee authenticates and delivers a Bond, it shall complete the information required to be inserted by the Bond form and shall keep a record of such information.

(B) On each date on which the Trustee authenticates and delivers Bonds bearing interest at a Fixed Rate from and after the Conversion Date applicable to such Bonds, the Trustee shall issue Bonds and unless the form of the Bonds is revised pursuant to Section 2.1(C) hereof, the Trustee shall affix or cause to be affixed, a legend on the face of each Bond in substantially the following form:

This Bond bears interest at the Fixed Rate, as defined in this Bond, of _____ percent per annum from and after _____. This Bond is not subject to optional or mandatory tender for purchase. This Bond matures on February 15, 2032.

Section 2.8 Book-Entry Provisions.

(A) The Bonds shall be payable to the Securities Depository, or its nominee, as the Owner of the Bonds, in same day funds on each date on which the principal of, premium, if any, and interest on the Bonds is due as set forth in this Indenture and the Bonds. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the City and the Trustee in writing. Without notice to or the consent of the beneficial owners of the Bonds, the City and the Securities Depository may agree in writing to make payments of principal and interest in a manner different from that set forth herein. If such different manner of payment is agreed upon, the City shall give the Trustee written notice thereof, and the Trustee shall make payments with respect to the Bonds in the manner specified in such notice as set forth herein. Neither the City nor the Trustee shall have any obligation with respect to the transfer or crediting of the principal of, premium, if any, and interest on the Bonds to Participants or the beneficial owners of the Bonds or their nominees.

(B) The Owners of the Bonds have no right to the appointment or retention of a Securities Depository for the Bonds. If (i) the City determines, or (ii) the City receives notice that the Securities Depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Bonds that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Bond certificates. The City shall have no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

(C) If, following a determination or event specified in paragraph (B) above, the City discontinues the maintenance of the Bonds in book-entry form with the then current Securities Depository, the City will issue replacement Bonds to the replacement Securities Depository, if any, or, if no replacement Securities Depository is selected for the Bonds, directly to the Participants as shown on the records of the former Securities Depository or, to the extent requested by any Participant, to the beneficial owners of the Bonds as directed by such Participant.

(D) The Securities Depository and its Participants, and the beneficial owners of the Bonds, by their acceptance of the Bonds, agree that the City and the Trustee shall not have liability for the failure of such Securities Depository to perform its obligations to the Participants and the beneficial owners of the Bonds, nor shall the City or the Trustee be liable for the failure of any Participant or other nominee of the beneficial owners to perform any obligation of the Participant to a beneficial owner of the Bonds.

(E) As long as Cede & Co. is the Owner of the Bonds:

(i) election of Bonds to be redeemed upon partial redemption, presentation of Bonds to the Trustee upon partial redemption, delivery of Bonds to the Trustee in connection with an optional or mandatory tender, or redelivery of such Bonds by the Trustee to Owners following a remarketing or failed conversion to the Fixed Rate shall be

deemed made when the right to exercise ownership rights in such Bonds through DTC or DTC's Participants is transferred by DTC on its books;

(ii) notices of demand for purchase of Bonds shall be given, by the beneficial owners of such Bonds exercising ownership rights, in writing (including electronically), pursuant to DTC's procedures, with such notice being deemed delivered when received by the Trustee and Remarketing Agent;

(iii) any notices of the interest rate on the Bonds to be provided by the Trustee shall be provided to anyone identifying itself to the Trustee as a Beneficial Owner; and

(iv) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Owners under this Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Bonds through DTC or its Participants.

Section 2.9 Delivery of Bonds.

(A) Upon the execution and delivery of this Indenture, the City shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds to be issued in an aggregate principal amount not to exceed $30,000,000 and shall deliver them to or upon the order of the City in such amounts and in such series or subseries as directed in writing by the City.

(B) $15,000,000 principal amount of Series 2012 F9, (Floating Rate Bonds) shall be issued on the Date of Issuance date pursuant to the Mode Addendum attached hereto as *Exhibit C* for Floating Rate Bonds and initially bear interest in the FRN Rate Mode as follows:

Series	Initial Tender Date	Initial FRN Rate Mode Spread	Secondary FRN Rate Tender Date	Secondary FRN Rate Mode Spread
2012F9	January 1, 2016	_____%	January 1, 2016	____%

(C) $15,000,000 principal amount of Series 2012 V10, (Rolling Tender Variable Rate Bonds) shall be issued on the Date of Issuance pursuant to the Mode Addendum for Rolling Tender Variable Rate Bonds attached hereto as *Exhibit D*.

(D) Prior to the delivery by the Trustee of any of the Bonds there shall be filed with the Trustee:

(1) A copy, duly certified by the City Clerk of the City, of (i) the Authorizing Resolution and the Bond Resolution and (ii) the PDC Bond Resolution.

(2) Original executed counterparts of this Indenture and the Tax Agreement.

(3) An Opinion of Bond Counsel as to the validity and tax-exempt status of the Bonds.

(4) An Opinion of Counsel for the City in form and substance satisfactory to Bond Counsel.

(5) A written direction from the City to the Trustee requesting the Trustee to authenticate and deliver the Bonds in the aggregate principal amount specified by the City upon payment to the City of the sum specified in such written direction.

(6) Such other instruments, documents and showings as may be required by the City, the Trustee or Bond Counsel in connection with the issuance of the Bonds.

The proceeds of the Bonds shall be paid over to the Trustee and deposited to the credit of various funds as hereinafter provided under Section 2.10 hereof.

Section 2.10 Deposit of Funds. On the Date of Issuance the City shall cause the deposit with the Trustee of the proceeds received from the sale of the Bonds (the "*Bond Proceeds*") and the Trustee shall deposit such Bond Proceeds in the amount of $_____ to the credit of the Project Fund which shall be disbursed by the Trustee for the purposes and in the manner set forth in Section 4.6 hereof.

Upon the issuance of subsequent series or subseries of Bonds, the written direction from the City to the Trustee shall specify the manner in which Bond proceeds are to be deposited.

ARTICLE III

INTEREST ON, PURCHASE AND REDEMPTION OF BONDS

Section 3.1 Bonds. Except as provided by Section 2.8(A), interest on the Bonds shall be paid by check mailed to each Owner at the address of such Owner as it appears on the Bond Register or, at the option of any Owner of not less than $1,000,000 principal amount of Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Owner as of such Record Date, if such Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date. Such instructions regarding a specified account shall remain in effect until revised by such Owner by an instrument in writing delivered to the Trustee. The principal of and premium, if any, on each Bond shall be payable on the Principal Payment Date, upon surrender thereof at the office of the Trustee.

Except as may be specifically set forth herein, the Trustee, the Remarketing Agent and the City may treat the Owner of a Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and the Trustee, the Remarketing Agent and the City shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of such Bond to the extent of the sum or sums so paid. All Bonds at maturity or on earlier redemption paid pursuant to the provisions of this Section shall be cancelled by the Trustee.

The Bonds shall bear interest at the applicable rate or rates during each applicable Interest Accrual Period until the entire principal amount of the Bonds has been paid.

Section 3.2 Payment of Principal and Interest of Bonds; Acceptance of Terms and Conditions.

(a) The interest on the Bonds shall become due and payable on the Interest Payment Dates in each year to and including the respective Maturity Date, and on each Redemption Date and on the date of any acceleration prior thereto. The principal of the Bonds shall become due and payable on the Principal Payment Dates.

(b) By the acceptance of its Bond, the Owner and each Beneficial Owner thereof shall be deemed to have agreed to all the terms and provisions of such Bond as specified in such Bond and this Indenture including, without limitation, the applicable Interest Periods, interest rates, Purchase Dates, Mandatory Purchase Dates, Purchase Prices, mandatory and optional purchase and redemption provisions applicable to such Bond, method and timing of purchase, redemption, payment, etc. Such Owner and each Beneficial Owner further agree that if, on any date upon which one of its Bonds is to be purchased, redeemed or paid at maturity or earlier due date, funds are on deposit with the Trustee to pay the full amount due on such Bond, then such Owner or Beneficial Owner shall have no rights under this Indenture other than to receive such full amount due with respect to such Bond and that interest on such Bond shall cease to accrue as of such date.

Section 3.3 Calculation and Payment of Interest; Change in Mode; Maximum Rate.

(a) Unless otherwise provided for a specific mode in an applicable Mode Addendum, when a Short-Term Mode is in effect, interest shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Unless otherwise provided for a specific mode in an applicable Mode Addendum, when a Long-Term Mode is in effect, interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months. Payment of interest on each Bond shall be made on each Interest Payment Date for such Bond for unpaid interest accrued during the Interest Accrual Period to the Owner of record of such Bond on the applicable Record Date.

(b) All or a portion of the Bonds in any Mode (other than Fixed Rate Mode), may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode (other than a change to a Fixed Rate Mode), all or a portion of such Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. A Fixed Rate Mode shall be in effect until the respective Maturity Date and may not be changed to any other Mode.

(c) Notwithstanding any provision to the contrary herein, no Bond shall bear interest at an interest rate higher than the Maximum Rate.

(d) In the absence of manifest error, the determination of interest rates (including any determination of rates in connection with a New Mode), any spread and interest periods established by the Remarketing Agent and the record of interest rates maintained by the Trustee shall be conclusive and binding upon the Remarketing Agent, the Trustee, the City, the Owners and the Beneficial Owners.

Section 3.4 Determination of Interest Rates.

(a) Fixed Rates. The Remarketing Agent shall determine the Fixed Rate for the Bonds being converted to the Fixed Rate Mode as follows: not later than 4:00 P.M. on a date determined by the Remarketing Agent, which shall be at least one Business Day prior to the Mode Change Date (the "Rate Determination Date"), the Remarketing Agent shall determine the Fixed Rate (or Rates, if the Bonds will have Serial Maturity Dates in accordance with Section 3.5(b)(v) hereof). Except as set forth in Section 3.5(b)(v) hereof, the Fixed Rate shall be the minimum interest rate which, in the sole judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date. The Remarketing Agent shall make the Fixed Rate available by telephone or by Electronic Means after 4:00 P.M. on the Rate Determination Date to any Notice Party requesting such Fixed Rate. Subject to Section 3.5(b)(v), the Fixed Rate so established shall remain in effect until the Maturity Date of such Bonds.

(b) Other than Fixed Rates. Interest rates for Modes other than the Fixed Rate Mode shall be determined for a specific Mode as provided for in the applicable Mode Addendum for the Bond.

Section 3.5 Changes in Mode. Prior to the Conversion Date, subject to the provisions of this Section, the City may effect a change in Mode with respect to all or a portion of the Bonds, and may change the series designation for such portion with notice to the Trustee. If a change in Mode or other terms within a mode, will make the Bonds subject to Rule 15c2-12 promulgated under the Securities Act of 1934, as amended, if it has not already done so, the City will execute a continuing disclosure undertaking satisfying the requirements of such Rule and shall cooperate with the Remarketing Agent and any Underwriter (as defined in such Rule) in satisfying the requirements of such Rule.

(a) Changes to Modes Other Than Fixed Rate Mode. All or a portion of the Bonds (other than Bonds in the Fixed Rate Mode) may be changed to another Mode (other than the Fixed Rate Mode) as follows:

(i) Mode Change Notice; Notice to Owners. No later than a Business Day which is at least 20 days preceding the proposed Mode Change Date, the City shall give written notice to the Notice Parties and to each Rating Agency of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") specified in such written notice. Notice of the proposed change in Mode shall be given by the Trustee to the Owners of the applicable Bonds not less than the 15th day next preceding the Mode Change Date. Such notice shall state: (1) the Mode to which the conversion is anticipated to be made and the Mode Change Date; (2) that the Bonds will be subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price of the Bonds, (3) that the mandatory tender shall not occur on the proposed Mode Change Date unless the conditions set forth in this Indenture for the effectiveness of the change in Mode have been satisfied, but that such Bonds will continue to be subject to mandatory tender pursuant to any other mandatory tender provision set forth in the Indenture; and (4) if the Book-Entry System is no longer in effect, information with

respect to required delivery of Bond certificates and payment of Purchase Price. The notices described in this Section 3.5(a)(i) shall not be required for Bonds bearing interest at an Extension Rate or Maximum Rate.

(ii) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) shall be determined by the Remarketing Agent in the manner provided in the Mode Addendum for the New Mode or in Section 3.4(a) hereof with respect to the Fixed Rate Mode.

(iii) Conditions Precedent:

(A) The Mode Change Date shall be such date as permitted under the applicable Mode Addendum.

(B) A Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Notice Parties shall have been delivered to the Trustee and the Remarketing Agent on or prior to the Mode Change Date.

(C) Sufficient remarketing proceeds have been received by the Trustee on the Mode Change Date to pay for the tendered Bonds. In the event of partial receipt of remarketing proceeds, the Trustee shall determine which tendered Bonds to purchase.

(D) Such other terms as may be required by the applicable Mode Addendum.

(b) Change to Fixed Rate Mode. At the option of the City, all or a portion of the Bonds (other than Bonds in Fixed Rate Mode) may be changed to the Fixed Rate Mode as provided in this Section 3.5(b). On any Business Day which is at least 20 days before the proposed Mode Change Date (or, in the case of Bonds bearing interest at an Extension Rate or Maximum Rate, on or before the proposed Mode Change Date), the City shall give written notice to the Notice Parties and to each Rating Agency stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. In addition, such notice shall state whether some or all of the Bonds to be converted shall be converted to Serial Bonds and, if so, the applicable Serial Maturity Dates and Serial Payments, all as determined pursuant to subsection (v) of this subsection (b). Any such change in Mode shall be made as follows:

(i) Mode Change Date. The Mode Change Date shall be such date as permitted by the current mode.

(ii) Notice to Owners. Not later than the 15th day next preceding the Mode Change Date, the Trustee shall mail, in the name of the City, a notice of such proposed change to the Owners of the Bonds stating that the Mode will be changed to the Fixed Rate Mode, the proposed Mode Change Date and that such Owner is required to tender such Owner's Bonds for purchase on such proposed Mode Change Date. The notice shall state that the mandatory tender shall not occur on the proposed Mode Change Date unless the conditions set forth in the Indenture for the effectiveness of the change in Mode have been satisfied, but that such Bonds will continue to be subject to mandatory tender

pursuant to any other mandatory tender provision set forth in the Indenture, and provided further that no such prior notice shall be required for Bonds bearing interest at an Extension Rate or Maximum Rate.

(iii) Conditions Precedent to Change to Fixed Rate Mode. The change to the Fixed Rate Mode shall not occur unless the following items shall have been delivered to the City, the Trustee, and the Remarketing Agent on or prior to the Mode Change Date:

(A) a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Notice Parties; and

(B) notice from each Rating Agency of the rating(s) to be assigned the Bonds on such Mode Change Date.

(C) sufficient remarketing proceeds have been received by the Trustee on the Mode Change Date to pay for the tendered Bonds. In the event of partial receipt of remarketing proceeds, the Trustee shall determine which tendered Bonds to purchase.

(iv) Determination of Interest Rate. The Fixed Rate (or rates in the case of Serial Bonds) for the Bonds to be converted to the Fixed Rate Mode shall be established by the Remarketing Agent in the manner provided in Section 3.4(a) hereof with respect to the Fixed Rate Mode. Such Rate shall remain in effect until the Maturity Date of the Bonds.

(v) Serialization and Sinking Fund; Price. Upon conversion of any Bonds to the Fixed Rate Mode, the Bonds shall be remarketed at par, shall mature on the same Maturity Date(s) and be subject to the same mandatory sinking fund redemption, if any, and optional redemption provisions as set forth in this Indenture for such Fixed Rate Mode; provided, however, that if the City shall deliver to the Trustee a Favorable Opinion of Bond Counsel, the City may elect to (1) have some of the Bonds be Serial Bonds with different interest rates for different Serial Maturities and some subject to sinking fund redemption even if such Bonds were not Serial Bonds or subject to mandatory sinking fund redemption prior to such change, (2) change the optional redemption dates and/or redemption prices set forth in Section 3.6(a) hereof, and/or (3) sell some or all of the Bonds at a premium or a discount to par.

(c) Failure to Satisfy Conditions Precedent to a Mode Change. In the event the conditions described above in subsections (a) or (b), as applicable, of this Section have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect. If there is a failed mode change, then the Bonds shall remain in, and be subject to the terms of, their current mode. No Event of Default shall be deemed to have occurred as a result of the failure to satisfy the conditions precedent to any Mode change.

(d) Rescission of Election. Notwithstanding anything herein to the contrary, the City may rescind any election by it to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date.

Section 3.6 Optional Redemption or Purchase in Lieu of Redemption of Bonds.

(a) Bonds in the Fixed Rate Mode are subject to redemption in whole or in part on any date (and if in part, in such order of maturity as the City shall specify and within a maturity by lot or by such other method as the Trustee determines to be fair and reasonable and in Authorized Denominations) at 100% of the principal amount, together with accrued interest, if any, to the redemption date as set forth below:

LENGTH OF FIXED MODE	COMMENCEMENT OF REDEMPTION PERIOD
Greater than or equal to 10 years	Seventh anniversary of the commencement of Fixed Mode
Less than 10 years and greater than or equal to 5 years	Third anniversary of the commencement of Fixed Mode
Less than 5 years	Bonds not subject to optional redemption

(b) Bonds in a mode other than the Fixed Rate are subject to optional redemption or purchase in lieu of redemption as provided for in the Mode Addendum for the Bond. Unless sufficient funds are deposited in advance with the Trustee, such redemption or purchase shall be conditioned upon the receipt of sufficient funds by the Trustee to redeem or purchase the Bonds. Unless otherwise provided for in a Mode Addendum, the redemption and purchase shall be performed, as provided for in Section 3.6(d).

In the event the conditions precedent to an optional redemption or purchase in lieu of redemption have not been satisfied by the applicable redemption or purchase date, then the redemption or purchase shall not take effect. If there is a failed optional redemption or purchase in lieu of redemption, then the Bonds shall remain in, and be subject to the terms of, their current mode, and no event of default shall be deemed to have occurred as a result of the failure to complete the optional redemption or purchase in lieu of redemption.

(c) The City, in connection with a change to the Fixed Rate Mode, may waive or otherwise alter its rights to direct the redemption of any such Bonds; provided that notice describing the waiver or alteration shall be submitted to the Trustee and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to them.

(d) Written notice of a redemption or purchase in lieu of redemption of any Bond shall be given by the City to the Trustee at least thirty five (35) days prior to the date of redemption or purchase in lieu of redemption (unless a shorter time shall be acceptable to the Trustee for its convenience). Notice of redemption or purchase in lieu of redemption shall be mailed by the Trustee by first class mail, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption or such purchase at their addresses appearing on the Bond registration books of the Trustee. Each notice of redemption or purchase shall state the date of such notice, the date of issue of the Bonds, the redemption or purchase date, the redemption or purchase price, the place

or places of payment and the CUSIP numbers, and the principal amount thereof to be redeemed or purchased. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption or purchase price thereof or of said specified portion of the principal amount thereof in the case of a Bond of a Series to be redeemed or purchased in part only, together with interest accrued thereon to the redemption or purchase date, and that from and after such redemption or purchase date interest thereon shall cease to accrue to the owner prior to such redemption or purchase, and shall require that such Bonds be then surrendered.

Notice of redemption or such purchase of Bonds shall be given by the Trustee, at the expense of the City, for and on behalf of the City.

Failure by the Trustee to give notice pursuant to this Section 3.6 to any one or more of the respective Holders of any Bond designated for redemption or purchase shall not affect the sufficiency of the proceedings for redemption or purchase with respect to the Holders to which such notice was properly provided.

Unless sufficient funds to perform the redemption are deposited with the Trustee prior to the date of a notice of redemption, any notice of redemption or purchase shall state that it is conditioned upon sufficient funds being on deposit with the Trustee to redeem or purchase the Bonds called for redemption or purchase on the applicable redemption or purchase date and that failure to make such a deposit shall not constitute an Event of Default hereunder. The City may also instruct the Trustee to provide conditional notice of redemption or purchase, except for mandatory sinking fund redemption, which may be conditioned upon any other event. If the City so instructs the Trustee, the notice of redemption or purchase shall also state that it is revocable and any redemption or purchase in lieu of redemption is conditional and that failure to satisfy such condition shall not constitute an Event of Default hereunder. If such notice is revoked or sufficient funds are not so deposited by such date, such Bonds shall not be subject to redemption or purchase and the holders thereof shall have the same rights as if no such notice had been given. In such event, the Trustee shall promptly give notice thereof to the Registered Owners of such Bonds by first class mail, postage prepaid.

If the Bonds are to be redeemed in part, the Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided that such portion of any Bonds to be redeemed shall be in an Authorized Denomination. If, however, the Bonds are to be redeemed in part while the Book-Entry Only System through DTC is in effect, the Bonds to be redeemed shall be selected by DTC in increments of the lowest Authorized Denomination in such manner as DTC may determine. Upon surrender of any Bond redeemed or purchased in part only, the City shall execute (but need not prepare) and the Trustee shall prepare or cause to be prepared, authenticate and deliver to the Holder thereof, at the expense the City, a new Bond or Bonds of Authorized Denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Notice of redemption or such purchase having been duly given as aforesaid, and moneys for payment of the redemption or purchase price of, together with interest accrued to the date fixed for redemption or purchase on, Series of Bonds (or portions thereof) so called for redemption or purchase being held by the Trustee, on the date fixed for redemption or purchase

designated in such notice, (or portions thereof) so called for redemption or purchase shall become due and payable at the redemption or purchase price specified in such notice and interest accrued thereon to the date fixed for redemption or purchase, interest on the Bonds so called for redemption or purchase shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said redemption or purchase price and accrued interest to the date fixed for redemption or purchase from funds held by the Trustee for such payment.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof.

Section 3.7 Optional Tenders of Bonds. A Mode Addendum may provide for the optional tender of Bonds by an Owner.

Section 3.8 Mandatory Purchase of Bonds. (a) A Mode Addendum may provide that Bonds shall be subject to mandatory purchase on each Final Mandatory Purchase Date for the applicable Bond.

(b) A Mode Addendum may provide that Bonds shall be subject to mandatory purchase on each Initial Tender Date and Mandatory Purchase Date as provided in such Addendum.

Section 3.9 Remarketing of Bonds; Notices.

(a) Remarketing of Bonds. The Remarketing Agent shall use its best efforts to offer for sale at par:

(i) all Bonds or portions thereof as to which notice of tender pursuant to Section 3.7 hereof has been given; and

(ii) all Bonds required to be purchased on any Mandatory Purchase Date or Initial Tender Date;

provided that, except as provided in subsection (d) hereof, the Remarketing Agent shall not remarket any Bonds to the City.

(b) Deposits into Remarketing Proceeds Account. The Remarketing Agent shall cause the proceeds of the sale of tendered bonds to be paid to the Trustee for deposit in the Remarketing Proceeds Account of the Purchase Fund in immediately available funds at or before 10:00 A.M. on the Purchase Date. The Remarketing Agent shall cause to be paid to the Trustee on each Purchase Date for tendered Bonds all amounts representing proceeds of the remarketing of such Bonds, based upon the notice given by the Remarketing Agent pursuant to Section 3.9(c)(i).

(c) Notice of Remarketing; Registration Instructions; New Bonds. On each date on which a Bond is to be purchased:

(i) the Remarketing Agent shall notify by Electronic Means the Trustee and the City by 10:30 A.M. if it has been unable to remarket all the tendered Bonds, and shall include in such notice the principal amount of Bonds it has been unable to remarket;

(ii) if the Bonds are no longer in the Book-Entry-Only System, the Remarketing Agent shall notify the Trustee by Electronic Means not later than 1:00 P.M. of the names of the purchasers of the remarketed Bonds and such information as may be necessary to register the Bonds and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers and the desired Authorized Denominations) with respect thereto;

(iii) if the Bonds are no longer in the Book-Entry-Only System, the Trustee shall authenticate new Bonds for the respective purchasers thereof which shall be available for delivery to purchasers; and

(iv) if the Remarketing Agent has found purchasers for some but not all of the tendered Bonds, the remarketed Bonds shall be selected in the following order of priority:

(A) Bonds of the same series and same mode as the Remarketed Bonds;

(B) Bonds of the same series in a mode other than the Remarketed Bonds that bear interest at an Extension Rate or Maximum Rate;

(C) Bonds of the same series in a mode other than the Remarketed Bonds that do not bear interest at an Extension Rate nor Maximum Rate;

(D) Bonds of a different series that bear interest at an Extension Rate or Maximum Rate;

(E) Bonds of a different series that are in the same, or substantially similar, mode as the Remarketed Bonds, and do not bear interest at an Extension Rate nor Maximum Rate;

(F) All other Bonds.

For Bonds within a priority, the Bonds with the earliest Optional Purchase Date (or Initial Tender Date in the case of FRN Rate Bonds) shall be selected first. If less than all such Bonds are remarketed, then the Trustee shall by lot determine which of such Bonds shall be remarketed (provided that if the Bonds are in the Book-Entry-Only System, such determination shall be made in accordance with the procedures of the Securities Depository). A Mode Addendum may further define the order of priority for a partial remarketing of Bonds of that mode with the same period of time.

(d) Purchase of Bonds by City. On each Purchase Date, if the Remarketing Agent shall have given notice to the City pursuant to clause (c)(i) above that it has been unable to remarket all the Bonds, then on or before 2:30 P.M. the City may pay or cause to be paid, by wire transfer of immediately available funds in the amount of the Purchase Price of the unremarketed tendered Bonds specified in the notice provided in clause (c)(i) above, to the Trustee for deposit in the City Purchase Account. Notwithstanding any other provisions herein to the contrary, the City shall not hold such Bonds purchased by the City for more than 90 consecutive days. In addition, the City shall comply with any procedures for such purchase required by then applicable federal securities laws and that, prior to any subsequent remarketing or resale of Bonds purchased by the City, the City shall deliver to the Trustee and the Remarketing Agent a Favorable Opinion of Bond Counsel with respect to the ownership of the applicable Bonds by the City for the period preceding such remarketing or resale, it being the intent of this Indenture that tendered Bonds purchased by the City shall not be extinguished or deemed to be extinguished.

Section 3.10 Source of Funds for Purchase of Bonds. By 3:00 P.M. on the date on which a Bond is to be purchased the Trustee shall purchase tendered Bonds from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the Trustee or the Remarketing Agent shall be obligated to provide funds from any other source:

(a) immediately available funds on deposit in the Remarketing Proceeds Account for such Bonds; and

(b) immediately available funds on deposit in the City Purchase Account.

Section 3.11 Delivery of Bonds. On each date on which a Bond is to be purchased, such Bond shall be delivered as follows:

(a) Bonds sold by the Remarketing Agent and described in Section 3.10(a) hereof shall be registered and made available to the Remarketing Agent by 1:30 P.M.; and

(b) Bonds purchased by the City with moneys described in Section 3.10(b) hereof shall be registered immediately in the name of the City or its nominee on or before 2:30 P.M.. Bonds so owned by the City shall continue to be outstanding under the terms of this Indenture and be subject to all of the terms and conditions of this Indenture and shall be subject to remarketing by the Remarketing Agent; provided, however that Bonds registered in the name of the City or its nominee for 90 consecutive days shall be delivered to the Trustee for immediate cancellation.

Section 3.12 Book-Entry Tenders.

(a) Notwithstanding any other provision of this Article III to the contrary, all tenders for purchase during any period in which the Bonds are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the Representations Letter and to any regulations promulgated by DTC (or any

successor Securities Depository). For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Beneficial Owners of Bonds may be exercised only by DTC acting, directly or indirectly, on behalf of a Beneficial Owner of Bonds by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Trustee. Procedures under which a Beneficial Owner may direct a Direct Participant or DTC, or an Indirect Participant of DTC acting through a Direct Participant of DTC, to exercise a tender option right in respect of Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be determined by such Direct Participant or Indirect Participant and DTC. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable Purchase Date of a book-entry credit to the account of the Trustee of a beneficial interest in such Bonds.

(b) Notwithstanding anything expressed or implied herein to the contrary, so long as the Book-Entry-Only System for the Bonds is maintained:

(i) there shall be no requirement of physical delivery to or by the Trustee or the Remarketing Agent of:

(A) any Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor; or

(B) any remarketing proceeds of such Bonds; and

(ii) except as provided in (iii) below, the Trustee shall not have any responsibility for paying the Purchase Price of any tendered Bond or for remitting remarketing proceeds to any person; and

(iii) the Trustee's sole responsibilities in connection with the purchase and remarketing of a tendered Bond shall be to:

(A) draw upon the City in the event the Remarketing Agent notifies the Trustee as provided herein that such Bond has not been remarketed on or before the Purchase Date therefor, which draw shall be in an amount equal to the difference between such Purchase Price and any remarketing proceeds received by the Remarketing Agent in connection with a partial remarketing of such Bond, and to remit the amount so drawn to or upon the order of the Securities Depository for the benefit of the tendering Beneficial Owners;

(B) remit any proceeds derived from the remarketing of an City Bond to the City; and

(C) make any exchanges required under Section 2.4 hereof.

Section 3.13 No Book-Entry-Only System. If at any time the Bonds shall no longer be in the Book-Entry-Only System, the following procedures shall be followed:

(a) Bonds shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date at the office of the Trustee; provided, however, that payment of the Purchase Price shall be made pursuant to this Section only if the Bond so delivered to the Trustee conforms in all respects to the description thereof in the notice described in this Section. Payment of the Purchase Price with respect to purchases under this Section shall be made to the Owners of tendered Bonds by wire transfer in immediately available funds by the Trustee by 3:00 P.M. on the Purchase Date.

(b) If a Bond to be purchased is not delivered by the Owner to the Trustee by 12:00 noon on the date on which such Bond is to be purchased, the Trustee shall hold any funds received for the purchase of those Bonds in trust in a separate account and shall pay such funds to the former Owners of the Bonds upon presentation of the Bonds. Such undelivered Bonds shall cease to accrue interest as to the former Owners on such purchase date and moneys representing the Purchase Price shall be available against delivery of those Bonds at the Principal Office of the Trustee; provided, however, that any funds which shall be so held by the Trustee shall be treated in accordance with Section 3.14. The Trustee shall authenticate a replacement Bond for any undelivered Bond which may then be remarketed by the Remarketing Agent.

(c) The Trustee shall hold all Bonds properly tendered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners of the Bonds which shall have so tendered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners.

Section 3.14 Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the "Purchase Fund." The Trustee shall establish further separate accounts within the Purchase Fund to be known as the "Remarketing Proceeds Account" and the "City Purchase Account."

(a) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of a Bond on the date such Bond is to be purchased, the Trustee shall deposit such proceeds in the applicable Remarketing Proceeds Account for application to the Purchase Price of the applicable series of Bonds.

(b) City Purchase Account. Upon receipt of Funds from the City pursuant to Section 3.9(d) hereof, the Trustee shall deposit such Funds in the City Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the City Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately refunded to the City.

(c) Investment. When Bonds are not in Book-Entry form, amounts held in the Remarketing Proceeds Account by the Trustee may be invested in Government Obligations,

shares of open-end management investment company as described by Investment Securities (9) that solely invest in Government Obligations, and the Local Government Investment Pool.

Section 3.15 Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of all tendered Bonds required to be purchased on any Purchase Date, the Trustee shall take all actions available to it to obtain remarketing proceeds from the Remarketing Agent or, except as otherwise provided in Section 3.9(d), funds from the City to purchase all such Bonds on or before 12:00 noon, New York City time, on the Business Day next succeeding such Purchase Date. Thereafter, the Trustee shall continue to take all such action available to it to obtain such remarketing proceeds from the Remarketing Agent and such funds from the City. Any obligations of the Remarketing Agent or the City to cause the deposit of such funds from remarketing proceeds or other amounts, respectively, shall remain enforceable pursuant to this Indenture, and such obligation shall be discharged only at such time as funds are deposited with the Trustee in an amount sufficient to purchase all such Bonds, together with any interest which has accrued on such Bonds to the subsequent actual purchase date.

Section 3.16 Appointment of Remarketing Agent.

(a) A Remarketing Agent shall be appointed to remarket Bonds prior to the Conversion Date, and the Remarketing Agent shall 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 Notice Parties at all reasonable times. The Remarketing Agent shall act as such under a Remarketing Agreement.

(b) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least thirty (30) days' notice to the Notice Parties and each Rating Agency. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the City, by an instrument filed with the Remarketing Agent and the Trustee and upon at least thirty (30) days' notice to the Remarketing Agent and each Rating Agency. Any successor Remarketing Agent shall be selected by the City, shall be authorized by law to perform all the duties set forth in this Indenture. The City's delivery to the Trustee of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of this Indenture and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of this Indenture. The Trustee shall provide notice of such successor Remarketing Agent to the Noteowners within ten (10) days of such appointment.

(c) If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent.

Section 3.17 Change in Maximum Rate. If the Maximum Rate is ever by amendment to this Indenture reduced, then the change in rate shall not become effective until the next

Mandatory Purchase Date for the affected Bonds, and the affected Bonds have been remarketed in full.

Section 3.18 No Partial Redemption After Default. Anything in this Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default of which an officer of the Trustee has actual knowledge, there shall be no redemption of less than all of the Bonds at the time outstanding, other than any mandatory sinking fund redemptions.

Section 3.19 Selection of Bonds for Redemption. If less than all the Bonds shall be called for redemption under any provision of this Indenture permitting or requiring such partial redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the City (except as otherwise provided in Section 3.6 hereof), in the principal amount designated to the Trustee by the City, which designation shall include the Interest Mode and Maturity Date, or otherwise as required by this Indenture; provided, however, that (i) in the case of the redemption of less than all Bonds which bear interest in the same Interest Mode at the same rate for the same Rate Periods, and which, in the case of Bonds bearing interest at a Fixed Rate, were converted on the same date, such redemption shall be by lot in such manner as the Trustee may determine among such Bonds, and (ii) subject to other applicable provisions of this Indenture, the portion of any Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Owner of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Owner of the Redemption Price of the integral multiple of the Authorized Denomination of principal amount called for redemption, and (b) delivery to such Owner of a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond, unless other arrangements with the Trustee, that are satisfactory to the Trustee in its sole discretion, are made for indicating the new outstanding principal amount of such Bond on the books and records of the Trustee maintained as the bond registry. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Owner thereof without charge therefor.

Section 3.20 Deposit of Funds. For the redemption of any of the Bonds, the City shall cause to be deposited in the Principal Account or if determined by the City to be necessary or appropriate, in a separate escrow account to be established by the City with the Trustee, moneys sufficient to pay when due the principal of, and premium, if any, and interest on, the Bonds to be redeemed on the applicable redemption date, which moneys shall be applied in accordance with the provisions hereof.

ARTICLE IV

GENERAL OBLIGATIONS AND INDENTURE FUNDS

Section 4.1 Tax Levy. The Bonds are general obligations of the City for the payment of which the full faith and credit of the City is pledged. A direct annual irrepealable tax shall be levied in each year that the Bonds are outstanding, in an amount sufficient to pay, and for the express purpose of paying, the interest on the Bonds as it falls due, and also to pay and discharge the principal thereof at maturity or on the Final Mandatory Purchase Date. Such taxes shall be levied against all taxable property in the City without limitation as to rate or amount. The Bonds represent and constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Interest on or principal of the Bonds at any time when there shall be insufficient funds from proceeds of the annual tax levy to pay such principal and interest shall be paid promptly when due from other funds of the City.

Section 4.2 Pledged Funds. The receipts derived from the taxes levied for payment of the Bonds and all amounts in the funds and accounts created or maintained pursuant to this Indenture, or any Tax Certificate (except the Rebate Fund), including earnings on such amounts, are hereby pledged as security for the payment of the Bonds and constitute trust funds held for that purpose, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein. The pledge herein made shall be irrevocable until all of the Bonds have been paid and retired. The granting of this pledge by the City does not limit in any manner the rights of the City to issue any additional debt or incur any other obligations.

Section 4.3 Costs of Issuance Fund.

(A) The Costs of Issuance Fund is hereby established with the Trustee to be held and applied in accordance with the terms and provisions of this Indenture. There shall be paid into the Costs of Issuance Fund (i) the amount required to be so paid by the provisions of any Addendum hereto and (ii) any amounts paid by the City to the Trustee from time to time with instructions for deposit into said Account.

(B) Moneys on deposit in the Costs of Issuance Fund will be paid out from time to time by the Trustee to or upon the order of the City in order to provide for the payment or to reimburse the City for the payment of costs of issuing the Bonds upon receipt by the Trustee of a certificate of an Authorized City Representative of the City describing the costs of issuance to be paid or reimbursed with such moneys (including the identity of and method of payment for each payee). On December 1, 2012, the Costs of Issuance Fund shall be closed and any moneys held therein shall be returned to the City.

(C) Moneys in the Costs of Issuance Fund shall be invested pursuant to the provisions of Section 5.1. The City may, and to the extent required for payments from the Costs of Issuance Fund shall, direct the Trustee in writing to disburse such payment from the Cost of Issuance Account. Earnings received on moneys or securities in the Costs of Issuance Fund shall be

retained therein and applied to the purposes for which moneys in the Costs of Issuance Fund are otherwise held.

Section 4.4 Establishment of Debt Service Fund and Accounts. The Debt Service Fund and the following Accounts within the Debt Service Fund are hereby established with the Trustee to be held in trust and applied in accordance with the provisions of this Indenture:

(1) Interest Account; and

(2) Principal Account.

Section 4.5 Debt Service Fund.

(A) *Interest Account.* On or prior to any Interest Payment Date, the City shall pay to the Trustee, for deposit into the Interest Account of the Debt Service Fund, an amount at least equal to the interest payable with respect to the Bonds on such Interest Payment Date, less any amounts then on deposit in the Interest Account and available for payment of interest on the Bonds. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Trustee in such amounts necessary for the payment of interest on the Bonds on each Interest Payment Date.

(B) *Principal Account.* On or prior to any date on which principal of the Bonds is due at maturity, the City shall pay to the Trustee, for deposit into the Principal Account of the Debt Service Fund, an amount at least equal to the principal payable with respect to the Bonds on such principal payment date, less any amounts then on deposit in the Principal Account and available for payment of principal of the Bonds. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Trustee in such amounts necessary for the payment of principal on the Bonds on any redemption date or Maturity Date.

Section 4.6 Project Fund. (a) The Trustee shall establish and maintain a separate trust fund to be known as the "Project Fund" (the "*Project Fund*"). The City may, at its option, deposit moneys in the Project Fund from time to time. Any moneys on deposit in the Project Fund shall be paid out by the Trustee, at the direction of the City, to pay the costs of the Project.

(b) An Authorized City Representative may from time to time amend the list of Projects in the Tax Agreement; provided, however, that the Authorized City Representative shall not amend the list of Projects in such a way as to change the tax status of the Bonds. An Authorized City Representative is hereby authorized to execute a Tax Certificate in connection with the Bonds.

(c) The Trustee shall make payments or disbursements from the Project Fund upon receipt from the City of a written requisition, in substantially the form attached as *Exhibit B* to this Indenture, executed by an Authorized City Representative, which requisition shall state, with respect to each amount requested thereby, (i) the number of the requisition from such account, (ii) the amount to be paid, the Payment Instructions, (iii) that the amount to be paid represents a cost of a qualifying Project as described in the Tax Agreement of the City, and (iv) that the amounts requisitioned will be expended only in accordance with and subject to the limitations set forth in the applicable Tax Certificate. The City need not provide the Trustee with evidence of expenditures.

(d) Moneys held in the Project Fund shall be invested and reinvested by the Trustee in Permitted Investments as directed by an Authorized City Representative.

(e) Any amounts remaining in the Project Fund at the completion of the Project shall be transferred to the Debt Service Fund and used to pay the interest on the Bonds.

ARTICLE V

INVESTMENTS OF FUNDS

Section 5.1 Investment of Moneys.

(A) Moneys held in the Costs of Issuance Fund, the Project Fund and the Debt Service Fund (but excluding any moneys in the Purchase Fund) shall be invested and reinvested by the Trustee at the written direction of a Designated Representative in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon such instructions as to both the suitability and legality of the directed investments. The Trustee may make any and all such investments through its trust department or the bond department of any bank or trust company under common control with the Trustee. The Trustee shall be entitled to conclusively rely on instructions provided to it by the City. All investment income shall be retained in the Fund or Account to which the investment is created from which such income is derived and all losses thereon shall be charged against such Fund or Account.

The Trustee may also make investments in the Local Government Investment Pool through the City, provided that the City holds such investments in a wholly separate subaccount within the account or fund where the funds were deposited prior to such investment.

(B) Notwithstanding any other provisions of this Indenture to the contrary, all investments made under this Indenture shall be consistent with the expectations expressed in the Tax Agreement.

(C) The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In the absence of investment instructions from the City, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in Investment Securities. The Trustee shall notify the City in the event any moneys are being held uninvested pursuant hereto. The Trustee shall not be liable or responsible for the performance or adverse tax consequences of any investment made pursuant to this Section. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 5.2 Valuation and Sale of Investments.

(A) Investment Securities in any Fund or Account created under the provisions of this Indenture shall be deemed at all times to be part of such Fund or Account and any profit realized

from the liquidation of such investment shall be credited to such Fund or Account and any loss resulting from liquidation of such investment shall be charged to such Fund or Account.

(B) Valuations of Investment Securities held in the Funds or Accounts established hereunder shall be made by the Trustee as often as may be necessary or requested by the City to determine the amounts held therein. In computing the amounts in such Funds or Accounts, Investment Securities therein shall be valued as provided in paragraph (C) of this Section 5.2.

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

(D) Except as otherwise provided in this Indenture, the Trustee shall sell at fair market value, or present for redemption, any Investment Securities held in any Fund or Account held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund or Account as the case may be.

ARTICLE VI

PARTICULAR COVENANTS AND REPRESENTATIONS OF THE CITY

Section 6.1 Payment of Bonds.

(A) The City covenants and agrees that it will pay or cause payment to be made of the principal and Redemption Price, if any, of every Outstanding Bond, whether due at maturity or upon mandatory sinking fund redemption, and the interest thereon, at the places, on the dates and in the manner provided in this Indenture and in the Bonds.

(B) The Bonds represent and constitute a debt of the City within the meaning of constitutional and any statutory limitation.

(C) If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or to payment out of the Trust Estate (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

Section 6.2 Further Assurance. The City will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

Section 6.3 Power to Issue Bonds. The City is duly authorized under all applicable laws to issue the Bonds, to execute and deliver this Indenture, to pledge the moneys, securities and funds pledged by this Indenture and to grant the lien granted by this Indenture thereon in the manner and to the extent provided in this Indenture. The moneys, securities and funds so pledged, and subject to such liens, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this Indenture, and all action on the part of the City to that end has been and will be duly and validly taken. The Bonds and the provisions of this Indenture are and will be valid and legally enforceable obligations of the City in accordance with their terms and the terms of this Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The City covenants that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State of Wisconsin and this Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the moneys, securities and funds pledged under this Indenture and all the rights of the Owners in and to the same against all claims and demands.

Section 6.4 Accounts and Reports. The City shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture, and which, together with all other books and financial records of the City, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds or their representatives duly authorized in writing.

Section 6.5 Arbitrage. The City shall not at any time permit any of the proceeds of the Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended.

Section 6.6 Abatement. The City may abate the annual levy relating to principal on the Bonds from anticipated remarketing proceeds in the manner and to the extent as provided for in the Mode Addendum for the Bond. The City shall provide S&P with Immediate Notice of any levy for principal on the Bonds if such levy is not abated by December 15th of any year in accordance with the terms of a Mode Addendum.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.1 Events of Default. Each of the following events is hereby declared to be an "Event of Default":

(1) if a default shall occur in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable;

(2) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, at maturity or by call for redemption pursuant to a mandatory sinking fund requirement or on any Final Mandatory Purchase Date;

(3) if a default shall occur in the performance or observance by the City of any other of the covenants, agreements or conditions in this Indenture (other than Section 7.1(1), (2), (4) or Section 7.2(5)) or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the City by the Trustee or after written notice thereof to the City and to the Trustee by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, provided that if the nature of the default is such that it cannot be cured within the initial 60-day cure period but can be cured within an additional period of not to exceed 60 days from the end of the initial 60-day cure period, no event of default shall occur if the City institutes corrective action within the initial 60-day cure period and diligently pursues such action until the default is corrected (provided such default is corrected within the additional 60-day period described above); or

(4) if the City shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of Wisconsin;

Section 7.2 Additional Event of Default. The following event is hereby declared to be an "Additional Event of Default"

(5) if the City shall fail to pay the Purchase Price of all tendered Bonds when due and payable on any Extended Mandatory Purchase Date.

Remedies for an Additional Event of Default shall not include demand for payment from funds other than amounts on deposit and available in the Remarketing Proceeds Account for such Bonds.

Section 7.3 Notification of Default. Upon an Event of Default or an Additional Event of Default, the Trustee shall notify the Comptroller of the City of such event.

Section 7.4 Proceedings Brought by Trustee.

(A) If an Event of Default or Additional Event of Default shall occur and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Bonds or this Indenture forthwith by a suit or suits in equity or at law, whether by mandamus or for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Indenture or enforce any of the rights or interests of the Owners of the Bonds under the Bonds or this Indenture.

(B) All rights of action (including without limitation, the right to file proof of claims) under this Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

(C) All actions against the City under this Indenture shall be brought in a state or federal court located in the State.

(D) The Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise any trust or power conferred upon the Trustee; *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

(E) Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(F) Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under this Indenture and to preserve or protect its interests and the interest of the Owners.

(G) During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds, and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it; it being understood that payment of such charges and expenses shall not be made from or any moneys already held for the payments of the principal of, interest on and or purchase price of Bonds that were not presented for payment when due.

(2) to the payment of the principal of, Redemption Price and interest on the Bonds then due, as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference (provided, however, that no payment shall be made with respect to Bonds owned by the City); and

SECOND: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(H) If and whenever all overdue installments of principal and Redemption Price of and interest on, Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the City under this Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on, all Bonds held by or for the account of the City or provision satisfactory to the Trustee shall be made for such payments, all defaults under this Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor the Trustee shall pay over to the City all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Indenture to be deposited or pledged, with the Trustee), and thereupon the City, the Trustee and the Owners shall be restored, respectively, to their former positions and rights under this Indenture. No such payment to the City by the Trustee nor such restoration of the City and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

(I) Whenever moneys are to be applied pursuant to the provisions of this Section, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply moneys to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date upon which such application is to be made

and upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such Record Date and payment date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(J) Under no circumstance may the Trustee declare an acceleration of the principal of or interest on the Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default or an Additional Event of Default. Additionally under no circumstances may the Trustee seek remedies for payment of the Purchase Price from the City on any Optional Purchase Date or on any Extended Mandatory Purchase Date under this Indenture.

Section 7.5 Restriction on Owners' Actions. No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of this Indenture or the execution of any trust under this Indenture or for any remedy under this Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture or by the laws of Wisconsin or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by this Indenture or to enforce any right under this Indenture, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

Section 7.6 Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of this Indenture.

Section 7.7 Effect of Waiver and Other Circumstances.

(A) No delay or omission of the Trustee or any Owner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein.

(B) The Owners of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized may on behalf of the Owners of all of the Bonds waive any past default under this Indenture and its consequences,

except a default in the payment of interest on or principal or Redemption Price of any of the Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

ARTICLE VIII

REGARDING THE FIDUCIARIES AND REMARKETING AGENT

Section 8.1 Trustee and Trustee's Agent; Appointment and Acceptance of Duties.

(A) The Trustee hereby accepts and agrees to the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the City agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree. Except during the continuance of an Event of Default, the Trustee undertakes such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall have no lien or security interest in and to the proceeds of remarketed Bonds, for the purpose of paying the fees or expenses of the Trustee and the Trustee's Agent and shall not use such amounts for such purpose. Notwithstanding any provision of this Indenture to the contrary, including Sections 8.8 and 8.9 hereof, the Trustee may not resign or be removed until a successor Trustee shall have been appointed as herein provided.

(B) The Trustee may appoint a Trustee's Agent with power to act on its behalf and subject to its direction (i) in the authentication, registration and delivery of Bonds in connection with transfers and exchanges hereunder, as fully to all intents and purposes as though such Trustee's Agent had been expressly authorized by this Indenture to authenticate, register and deliver Bonds, and (ii) for effecting purchases and sales of Bonds pursuant hereto and accepting deliveries of Bonds, making deliveries of Bonds and holding Bonds pursuant hereto. The foregoing notwithstanding, the Trustee need not appoint a Trustee's Agent for as long as the Trustee or an affiliate shall have an office in New York, New York capable of handling the duties of Trustee's Agent hereunder. Any Trustee's Agent appointed pursuant to this Section shall evidence its acceptance by a certificate filed with the Trustee and the City. Any Trustee's Agent may resign or be replaced in accordance with the terms of the written agreement between the Trustee and the Trustee's Agent setting forth the duties and obligations of the Trustee's Agent. For all purposes of this Indenture, the authentication, registration and delivery of Bonds by or to any Trustee's Agent pursuant to this Section shall be deemed to be the authentication, registration and delivery of Bonds "by or to the Trustee." Such Trustee's Agent shall at all times be a bank having an office in New York, New York (unless the Bonds are in an Index Mode or are Unremarketed Bonds), and shall at all times be a corporation organized and doing business under the laws of the United States or of any state with combined capital and surplus of at least $15,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any Trustee's Agent appointed hereunder shall also be a Paying Agent for purposes

of this Indenture and, as such, is subject to the provisions of Section 8.14 of this Indenture relating to the resignation and removal of Paying Agents and the appointment of successors.

Section 8.2 Paying and Calculation Agents; Appointment and Acceptance of Duties.

(A) The Trustee is hereby appointed Paying Agent and Calculation Agent for the Bonds. The City may at any time or from time to time appoint one or more other Paying Agents or Calculation Agent having the qualifications set forth in Section 8.14 for a successor Paying Agent or Calculation Agent.

(B) The Trustee hereby accepts the duties and obligations imposed upon it as Paying Agent and Calculation Agent by this Indenture. Each other Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the City and to the Trustee a written acceptance thereof.

Section 8.3 Registrar; Appointment and Acceptance of Duties.

(A) The Trustee is hereby appointed Registrar for the Bonds. The City may at any time or from time to time appoint one or more other Registrars having the qualifications set forth in Section 8.15 for a successor Registrar.

(B) The Trustee hereby accepts the duties and obligations imposed upon it as Registrar by this Indenture. Each other Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the City and to the Trustee a written acceptance thereof.

Section 8.4 Responsibilities of Fiduciaries.

(A) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the City and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds issued hereunder or as to the security afforded by this Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for any representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the City or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified to its reasonable satisfaction. Subject to the provisions of paragraph (B) of this Section, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

(B) In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of this Indenture relating

to action taken or to be taken by the Trustee, any other capacity the Trustee may serve hereunder or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section.

(C) The Trustee is under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners of the Bonds unless such Owners have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the Owners of 25% in aggregate principal amount of the Bonds.

(D) The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, in person or by agent or attorney.

(E) The Trustee may execute any of its trusts or powers or perform any duties under this Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in this Indenture, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it.

(F) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(G) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(H) Notwithstanding anything contained herein to the contrary, the Trustee may not require indemnity as a condition (i) to cause and give notices of the mandatory tender of Bonds, (ii) to call Bonds for mandatory sinking fund redemption or (iii) to pay purchase price, principal of or interest on the Bonds as the same shall become due.

Section 8.5 Evidence on Which Fiduciaries May Act.

(A) Each Fiduciary shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, opinion (including a Counsel's Opinion), bond or other paper or document furnished to it pursuant to and conforming to the requirements of this Indenture, and believed by it to be genuine and to have been signed or presented by the proper party or parties.

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

(C) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished by the City to any Fiduciary shall be sufficiently executed if signed by a Designated Representative.

(D) The Trustee may consult with counsel and the written advice of such counsel or an Opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion.

(E) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Owners of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provision of this Indenture, the Trustee, in its sole discretion, may determine what actions, if any, shall be taken.

(F) The Trustee shall have the right to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the City shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 8.6 Compensation. Unless otherwise determined by contract between the City and each Fiduciary, the City shall pay to each Fiduciary from time to time reasonable compensation as may be mutually agreed upon by the City and the Fiduciary for all services rendered under this Indenture. The City shall pay each Fiduciary for any extraordinary services or expenses performed or incurred by the Trustee in connection with its duties under this Indenture if notified in writing prior to the performance of those services or the incurring of those expenses so as to allow the City to appropriate sufficient funds for their payment.

The City agrees to indemnify and hold the Trustee harmless against costs, claims, expenses and liabilities not arising from the Trustee's own negligence, misconduct or breach of duty that the Trustee may incur in the exercise and performance of its rights and obligations hereunder. Such obligation shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 8.7 Certain Permitted Acts. Any Fiduciary or Remarketing Agent may become the Owner of any Bonds, with the same rights it would have if it did not act in any capacity hereunder. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Section 8.8 Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving not less than sixty (60) days' written notice to the City, all Owners of the Bonds, the other Fiduciaries, the Remarketing Agent, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the City or the Owners as provided in Section 8.10 and shall have accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed and accepted such appointment within a period of sixty (60) days following the giving of notice, then the Trustee, at the expense of the City, shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee as provided in Section 8.10 hereof.

Section 8.9 Removal of Trustee; Consent of Owners. The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the City and delivered to the Trustee; provided, however, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by the City only with the written concurrence of the Owners of a majority in aggregate principal amount of Bonds then Outstanding (excluding Bonds held by or for the account of the City). The Trustee may be removed at any time by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or their attorneys-in-fact duly authorized, and delivered to the City. Copies of each such instrument shall be delivered by the City to each Fiduciary and the Remarketing Agent.

Section 8.10 Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign, be removed or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, the City, if applicable, shall appoint a successor Trustee. The City shall cause notice of any such appointment made by it to be mailed to all Owners of the Bonds.

(B) If no appointment of a Trustee shall be made by the City within sixty (60) days following such resignation or removal pursuant to the foregoing provisions of this Section 8.10, the Trustee or the Owner of any Bond Outstanding hereunder may apply to any court of

competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national bank association, doing business and having a corporate trust office in the State of Wisconsin, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly-owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(D) Notwithstanding any of the provisions of this Article VIII to the contrary concerning the resignation or removal of the Trustee or the appointment of a successor Trustee, no such resignation, removal or appointment shall be effective until the successor Trustee accepts its appointment pursuant to the terms of Section 8.11 hereof.

Section 8.11 Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee and to the City, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee; but the predecessor Trustee shall nevertheless, on the written request of the City or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all its right, title and interest in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such moneys, estates, properties, rights, powers and duties, such deed, conveyance or instrument shall be executed, acknowledged and delivered by the City. Any such successor Trustee shall promptly notify any other Paying Agent or Registrar of its appointment as Trustee.

Section 8.12 Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which all or substantially all of the corporate trust business of any Fiduciary may be sold or transferred, shall be the successor to such Fiduciary and be bound to the obligations and duties of such Fiduciary hereunder without the execution or filing of any paper or the performance of any further act, unless such successor delivers written notice of its resignation pursuant to the provisions of this Article; provided, however, that such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Indenture.

Section 8.13 Adoption of Authentication. In case any of the Bonds shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so

authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in its own name.

Section 8.14 Resignation or Removal of Paying Agent or Calculation Agent and Appointment of Successor.

(A) Any Paying Agent or Calculation Agent may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving at least sixty (60) days' written notice to the City, the other Fiduciaries and the Remarketing Agent, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed as provided herein. Any Paying Agent or Calculation Agent appointed by the City may be removed at any time by an instrument signed by a Designated Representative and filed with such Paying Agent, Calculation Agent, and the Trustee. The Trustee may at any time terminate the agency of any Paying Agent or Calculation Agent appointed by it pursuant to Section 8.1(B) by giving written notice of such termination to such Paying Agent, Calculation Agent, the Remarketing Agent, and the City. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Paying Agent or Calculation Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Paying Agent or Calculation Agent, shall give written notice of such appointment to the City, the Remarketing Agent, Paying Agent, and Calculation Agent, and shall mail notice of such appointment of a Paying Agent to all Owners of Bonds. Any successor Paying Agent shall be appointed by the City and shall be a bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly-owned subsidiary of such an entity, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. Any successor Calculation Agent shall be appointed by the City and shall be an entity, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee and shall be subject to audit of all of its books, records and accounts with respect to the Bonds. In the event that for any reason there shall be a vacancy in the office of any Paying Agent or Calculation Agent, the Trustee shall act as such Paying Agent or Calculation Agent.

Section 8.15 Resignation or Removal of Registrar and Appointment of Successor.

(A) Any Registrar may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving at least sixty (60) days' written notice to the City, the other Fiduciaries, the Remarketing Agent, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed as provided herein. Any Registrar may be removed at any time by an instrument signed by a Designated Representative and filed with such Registrar and the Trustee. Any successor Registrar shall be appointed by the City and shall be a bank, trust company or national banking association doing business and having an office in the State of Wisconsin or in the Borough of

Manhattan, in the City and State of New York, if there be such a bank, trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(B) In the event of the resignation or removal of any Registrar, such Registrar shall deliver all books, records and other property including the bond register of the City to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Registrar, the Trustee shall act as such Registrar.

Section 8.16 Trustee Not Deemed to Have Notice of Default. The Trustee shall not be deemed to have notice of any default hereunder except a default under Section 7.1(1), (2) or (3) hereof, Additional Events of Default, and Other Events of Default, unless any officer in its corporate trust office shall have actual knowledge thereof or the Trustee shall be specifically notified in writing of such default by the City, the Purchaser or by the Owners of not less than a majority in principal amount of the Bonds Outstanding; and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the corporate trust office of the Trustee.

Section 8.17 Monthly Report by Trustee. Within twenty (20) days after the end of each calendar month, the Trustee shall prepare a written report for each Fund or Account held by it pursuant to the provisions of this Indenture. Such report shall set out the receipts and disbursements, both principal and income, and shall list the Investment Securities held by the Trustee at the end of the month. A copy of each such report shall be furnished to the City and any persons designated by the City.

In addition, the Trustee shall, at any time when requested, furnish to the City and any persons designated by the City a report of the amount of moneys, including Investment Securities, held in each Fund or Account by the Trustee. For purposes of this certification, the Investment Securities in each such Fund or Account shall be treated as having a value equal to their aggregate market value as of the date of the request.

Section 8.18 Notice to Rating Services. The Trustee hereby agrees that if at any time (i) the City redeems any portion of the Bonds outstanding hereunder prior to their Maturity Date, (ii) the City provides for the payment of any portion of the Bonds pursuant to Section 11.1 hereof, (iii) a successor Trustee or Paying Agent is appointed, (iv) any supplement to this Indenture shall become effective, or any party thereto shall waive any provision of this Indenture, (v) any change in the Remarketing Agent occurs, (vi) any Conversion Date occurs, (vii) a new Mode is established, or (viii) any mandatory tender of the Bonds, then, in each case, the Trustee shall give notice thereof to each of the Rating Services having applied its ratings to the Bonds.

In addition to all other notices required to be given to the Rating Agencies hereunder, the City shall provide to the Ratings Services any information reasonably requested by the Ratings Services in order to maintain the then current ratings, if any, on the Bonds.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.1 Supplemental Indentures Not Requiring Consent of Owners. The City and the Trustee may without the consent of, or notice to, any of the Owners enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(1) to impose additional covenants or agreements to be observed by the City;

(2) to impose other limitations or restrictions upon the City;

(3) to surrender any right, power or privilege reserved to or conferred upon the City by this Indenture;

(4) to confirm, as further assurance, any pledge of or lien upon any other moneys, securities or funds;

(5) to cure any ambiguity, omission or defect in this Indenture;

(6) to provide for the appointment of a successor Securities Depository;

(7) to provide for the appointment of any successor Fiduciary;

(8) to provide for certificated Bonds;

(9) to implement a conversion of the interest rate on all or any portion of the Bonds to a Fixed Rate or a different Mode, all as provided herein, including, but not limited to, modifying or creating a mode, modifying, amending or supplementing the form of Bond to reflect, among other things, a change in the designated title of the Bonds, the fixing of an annual rate of interest, the termination of the rights of any Owner of Bonds to tender such Bonds for purchase, and, if applicable, the fact that the purchase price of, or interest on, the Bonds is payable out of moneys drawn under the Credit Facility;

(10) to secure or maintain ratings from any Rating Service in the highest short-term or commercial paper debt rating category, and the "AA"/"Aa" or higher long-term debt rating category (each without giving effect to numeric or other qualifiers), of such Rating Service which are available for the Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on the Bonds as provided in this Indenture or otherwise adversely affect the Owners of the Bonds under this Indenture;

(11) to effect a change in the optional redemption schedule for Bonds in a Fixed Mode pursuant to Section 3.6 hereof, or to effect a change in Redemption Price in accordance with the Indenture;

(12) to change the Maximum Rate with respect to any Bonds which amendment shall be effective after a Mandatory Purchase Date and which amendment will be made so as to insure that the Bonds will bear the lowest overall interest rate at which a par priced Bond may be sold; and

(13) to make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners.

Section 9.2 Supplemental Indentures Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with Section 9.1 shall take effect only if permitted and approved and in the manner prescribed by Article X.

Section 9.3 Filing of Counsel's Opinion. Each Supplemental Indenture described in Section 9.1 (other than a change pursuant to Section 9.1(12)) shall be accompanied, when filed with the Trustee, by a Bond Counsel's Opinion to the effect that such Supplemental Indenture has been duly authorized by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when executed and delivered, will be valid and binding upon the City, the Owners and the Trustee and, with respect to any series or subseries of Bonds that purported to be tax-exempt, the interest on which Bonds will be excluded for the income of Bondholders for federal income tax purposes.

ARTICLE X

AMENDMENTS

Section 10.1 Mailing. Any provision in this Article for the mailing of a notice or other information to Owners shall be fully complied with if it is mailed by first class mail, postage prepaid or delivered to each Owner of Bonds then Outstanding at its address, if any, appearing upon the registration books of the City kept by the Trustee.

Section 10.2 Powers of Amendment. Exclusive of Supplemental Indentures covered by Section 9.1 hereof and subject to the terms and provisions contained in this Section 10.2 and in Section 10.4, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall each have the right, from time to time, to (i) consent to and approve the execution by the City and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture, or (ii) waive or consent to the taking by the City of any action prohibited, or the omission by the City of the taking of any action required, by any of the provisions of this Indenture or of any indenture supplemental hereto; provided, however, that nothing in this Section 10.2 or in Section 9.1 hereof contained shall permit or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the payment or redemption of any Bond, or a change in the required date of purchase or purchase price of any Tendered Bond, without the consent of the Owner of such Bond, (b) a reduction in the amount of, or extension of the time of, any payment

required by any sinking fund applicable to any Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, (c) the creation of any lien prior to or on a parity with the lien of this Indenture, without the consent of the Owners of all the Bonds at the time Outstanding, (d) a reduction in the aforesaid aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (e) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (f) the loss of the exclusion from federal gross income of the Owners of the interest paid on the Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Section 10.3 Consent of Owners. The City may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 10.2, to take effect when and as provided in this Section. Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required aggregate principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when effective, will be valid and binding upon the City and the Trustee, and (b) a notice shall have been mailed as hereinafter in this Section provided. A certificate or certificates by the Trustee delivered to the City that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor or replacement thereto whether or not such subsequent Owner has notice thereof; provided, however, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter in this Section referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by this Article and shall not be deemed ineffective by reason of such prior delivery or filing. Within thirty (30) days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient under this Section, the Trustee shall make and deliver to the City a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective as provided in this Section, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and

binding). The Trustee shall deliver to the City proof of the mailing of such notice. A record, consisting of the information required or permitted by this Section to be delivered by or to the Trustee, shall be proof of the matters therein stated.

For purposes of this Article, an Underwriter or Remarketing Agent who is an Owner of a Bond for any period of time may consent to amendments to the Indenture.

Section 10.4 Modifications by Unanimous Action. This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given. Such Supplemental Indenture shall take effect upon the filing (a) with the Trustee of (i) a copy thereof, (ii) such consents and accompanying proofs and (iii) the Counsel's Opinion referred to in Section 10.3 and (b) with the City of the Trustee's written statement that the consents of the Owners of all Outstanding Bonds have been filed with it. No mailing or publication of any Supplemental Indenture (or reference thereto or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of any Fiduciary without its written consent thereto.

Section 10.5 Exclusion of Bonds. Unless all Bonds are owned or held by or for the account of the City, Bonds owned or held by or for the account of the City shall not be deemed Outstanding and shall be excluded for the purpose of any calculation required by this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee a certificate of a Designated Representative, upon which the Trustee may rely, identifying all Bonds so to be excluded.

Section 10.6 Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article IX or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and upon demand of the Owner of any Bond Outstanding at such effective date and presentation of its Bond to the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the City or the Trustee shall so determine, new Bonds so modified which, in the opinion of the Trustee and the City, conform to such action may be prepared, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Owner, for such Bond then Outstanding.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Defeasance.

(A) If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of the Trust Estate under this Indenture and all covenants, agreements and other

obligations of the City to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the City, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the City for any year or part thereof requested, and shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Paying Agent shall pay over or deliver to the City all moneys and securities held by it pursuant to this Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular maturity or portion of any maturity (which portion shall be selected by lot by the Trustee in the manner provided herein for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and all covenants, agreements and obligations of the City to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

(B) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in this Section 11.1 if the City shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which shall be sufficient, in the opinion of a nationally recognized firm of independent public accountants, without further reinvestment, to pay when due the principal, Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (i) such opinion as to sufficiency may be based on amounts sufficient to pay interest on the Bonds for such Rate Period as then may be in effect for which the interest rate or rates are then known and thereafter at the then applicable Maximum Interest Rate and (ii) such specified redemption date will be the earlier of the first possible date upon which such Bonds may be tendered or redeemed under this Indenture), and (d) if any of said Bonds are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. The Defeasance Obligations and moneys deposited with the Trustee pursuant to this Section shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on said Bonds, at maturity or upon redemption, as the case may be.

(C) The Defeasance Obligations (or any portion thereof) held for the payment of the principal and Redemption Price of and interest on said Bonds pursuant to paragraph (B) of this Section may not be sold, redeemed, invested, reinvested or removed from the lien of this Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "Subsequent Action") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the City authorizing the Subsequent Action, or (b) an opinion of counsel for the City to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the City; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of the Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and Redemption Price of and interest on said Bonds, the Bonds at or prior to their maturity in the manner provided in paragraph (B) of this Section; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on the Bonds to which such Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

If after any such Subsequent Action there are any funds on deposit in the escrow account which are not needed by the Trustee for the payment when due of the principal of and interest on said Bonds, in accordance with the terms of this Indenture as demonstrated by the sufficiency opinion or certificate delivered pursuant to clause (ii) of the preceding paragraph, the Trustee shall transfer such funds to the City free and clear of the lien of this Indenture, to be applied to any lawful purpose in such manner that, in the Opinion of Bond Counsel, will not adversely affect any exemption from federal income tax of the interest paid on the Bonds to which such Bonds are otherwise entitled.

(D) Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to this Section 11.1, if so directed by the City, shall be applied by the Trustee to the purchase of such Bonds in accordance with this subsection. Bonds for which a redemption date has been established may be purchased on or prior to the 45th day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to paragraph (B) of this Section 11.1, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this subsection if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to this Section 11.1.

(E) The City may purchase with any available funds any Bonds deemed to be paid pursuant to this Section 11.1 in accordance with this subsection. Bonds for which a redemption date has been established may be purchased by the City on or prior to the 45th day preceding the redemption date. On or prior to the 45th day preceding the redemption date the City shall give written notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the

redemption date and shall pay to the City on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the City the principal amount of and interest on, such Bonds upon surrender of such Bonds on the maturity date.

(F) Any time after any Bonds are deemed to be paid pursuant to this Section 11.1, the City shall not at any time permit any of the proceeds of the Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the Code and Regulations.

(G) Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under this Indenture, notwithstanding that any Bonds are deemed to be paid pursuant to this Section 11.1. Such compensation shall be paid by the City from lawfully available funds and no Fiduciary shall have a claim against the Trust Estate for such compensation except as may be expressly provided herein.

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

Section 11.2 Evidence of Signatures of Owners and Ownership of Bonds.

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

(1) The fact and date of the execution by any Owner or its attorney of such instruments may be proved by a guarantee of the signature thereon by a bank, national banking association or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that, the Person signing such request or other instruments acknowledged to that person the execution thereof, or by an affidavit of witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a City or association or a member of a

partnership, on behalf of such City, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of authority.

(2) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the registration book maintained by the Trustee or any Registrar.

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

Section 11.3 Moneys Held for Particular Bonds. The amounts held by the Trustee or any Paying Agent for the payment of interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto.

Section 11.4 Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Indenture, shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiduciary, and any Owner and their agents and their representatives, any of whom may make copies thereof.

Section 11.5 Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, and all mutilated Bonds surrendered pursuant to Section 2.5, shall be delivered to the Trustee when such payment or redemption is made or upon surrender, as the case may be, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly canceled. Bonds so canceled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its Authorized City Representatives describing the Bonds so destroyed, and one executed certificate shall be delivered to the City and the other retained by the Trustee.

Section 11.6 Parties' Interest Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the City, the Fiduciaries and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Fiduciaries and the Owners of the Bonds.

Section 11.7 No Recourse on the Bonds.

(A) No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any past, present or future member, director, officer, employee or agent of the City, or any successor, public body or any person executing the Bonds, either directly or through the City, under any rule of law or equity, statute or constitution or otherwise, and all such liability of any such officers, directors, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Bonds.

(B) No member, officer, director, agent or employee of the City shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, director, agent or employee from the performance of any official duty provided by law.

(C) All covenants, stipulations, obligations and agreements of the City contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized and permitted by the Constitution and laws of the State of Wisconsin, and no covenants, stipulations, obligations or agreements contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, director, agent or employee of the City in his or her individual capacity, and no officer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issue thereof. No member, officer, director, agent or employee of the City shall incur any personal liability in acting or proceeding or in not acting or not proceeding in accordance with the terms of this Indenture.

Section 11.8 Successors and Assigns. Whenever in this Indenture the City is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in this Indenture contained by or on behalf of the City shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

Section 11.9 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the City or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture.

Section 11.10 Notices. Any notice, demand, direction, request or other instruments authorized or required by this Indenture to be given to, delivered to or filed with the City, the Trustee or the initial Purchaser shall be deemed to have been sufficiently given, delivered or filed for all purposes of this Indenture if and when sent by registered mail, postage prepaid, return-receipt requested:

To the City, if addressed to:

City of Milwaukee
City Hall, Room 404
200 E. Wells Street
Milwaukee, WI 53202
Attention: City Comptroller
Telephone: (414) 286-3321
Facsimile: (414) 286-3281

or at such other address as may be designated in writing by the City to the Trustee; and

To the Trustee, if addressed to:

U.S. Bank National Association
1555 North River Center Drive,
Suite 203
Milwaukee, Wisconsin 53212
Attention: Corporate Trust Administration
Telephone: (414) 905-5010

Facsimile: (414) 905-5049

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

To the Rating Services, if addressed to:

Moody's Investors Service
Municipal Structured Products Group, 23rd Floor
99 Church Street
New York, NY 10007
Telephone: (212) 553-0300
Fax: (212) 964-5082

Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, NY 10041
Attention: Muni Structured Finance
Telephone: (212) 438-2000
Fax: (212) 438-2157
Email: pubfin_structured@sandp.com

Section 11.11 Construction. This Indenture and all Supplemental Indentures shall be construed in accordance with the provisions of Wisconsin law.

Section 11.12 Headings Not a Part of this Indenture. Any headings preceding the texts of the several Articles and Sections hereof, and any Table of Contents appended to copies hereof, are solely for convenience of reference and do not constitute a part of this Indenture, nor do they affect its meaning, construction or effect.

Section 11.13 Multiple Counterparts. This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and all such counterparts shall constitute but one and the same instrument.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed, all as of the day and year first above written.

CITY OF MILWAUKEE

_____
Tom Barrett, Mayor

_____
James R. Owczarski, City Clerk

Approved as to
form, content, and execution this
_____ day of _____, 2012

COUNTERSIGNED:

_____
City Attorney

_____
Martin Matson, Comptroller

U.S. BANK NATIONAL ASSOCIATION,
as trustee

By:_____
Authorized Representative

EXHIBIT A

FORM OF BOND

See Mode Addendum for each Mode of Bonds

EXHIBIT B

PROJECT FUND REQUISITION

Requisition No. _____

Dated: _____

To: U.S. Bank National Association, as Trustee

Re: Requisition of Funds from City of Milwaukee
General Obligation Corporate Purpose Multimodal Bonds, Series 2012

The amount requisitioned: $_____ from Series ___ Project Fund

Payment Instructions:

_____

_____

_____

_____

The undersigned, an Authorized City Representative within the meaning of the Trust Indenture, dated as of August 1, 2012 (the "Indenture"), between the City of Milwaukee (the "City") and U.S. Bank National Association, as trustee (the "Trustee"), hereby requisitions the amount set forth above and directs that such amount be paid to the party set forth above from funds held in the Project Fund specified above held under the Indenture, and directs that payment be made in the manner described above.

For Series 2012 F9 and Series 2012 V10 Projects only: The amount to be paid represents a cost of Projects, and the amounts requisitioned hereby will be expended only in accordance with and subject to the limitations set forth in the Tax Certificate, dated August ___, 2012, and relating to the Series 2012 F9 Bonds or the Tax Certificate dated August ___, 2012 and relating to the Series 2012 V10 Bonds issued under the Indenture.

CITY OF MILWAUKEE

By: _____
Authorized City Representative

EXHIBIT D

MODE ADDENDUM FOR ROLLING TENDER VARIABLE RATE BONDS

MODE ADDENDUM

ROLLING TENDER VARIABLE RATE BONDS
(RTV MODE)

FOR THE

TRUST INDENTURE

by and between

CITY OF MILWAUKEE

and

U.S. BANK NATIONAL ASSOCIATION,

as trustee

dated as of August 1, 2012

Relating To

CITY OF MILWAUKEE
GENERAL OBLIGATION CORPORATE PURPOSE
MULTIMODAL BONDS
SERIES 2012 V10

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MODE ADDENDUM

ROLLING TENDER VARIABLE RATE BONDS

(RTV MODE)

THIS MODE ADDENDUM ROLLING TENDER VARIABLE RATE BONDS (RTV MODE), dated as of August 1, 2012 (this "RTV Mode Addendum"), is between the **CITY OF MILWAUKEE** (the "City"), a municipal corporation of the State of Wisconsin, and **U.S. BANK NATIONAL ASSOCIATION** (the "Trustee"), a national banking association, supplementing and amending the Trust Indenture dated as of August 1, 2012 (the "Original Indenture") between the City and the Trustee,

WITNESSETH:

WHEREAS, the Original Indenture permits the creation of a Mode by a Mode Addendum; and

WHEREAS, the City desires to permit Bonds to be issued as Rolling Tender Variable Rate Bonds in the RTV Mode (the "RTV Mode"); and

WHEREAS, the execution and delivery of this RTV Mode Addendum has in all respects been duly authorized.

NOW, THEREFORE, IT IS HEREBY COVENANTED AND AGREED in this RTV Mode Addendum, by and among the City, the Trustee and the Owners of the Bonds from time to time, that the terms and conditions upon which the Bonds in the RTV Mode are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become the Owners thereof, and the trusts and conditions upon which the moneys and securities hereby pledged are to be held and disposed of, which trusts and conditions the Trustee hereby accepts, are as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. The terms used in the RTV Mode Addendum and not otherwise defined herein, shall, except as otherwise stated herein, have the meaning assigned to them in the Original Indenture. Additionally, the following terms shall, for all purposes of this RTV Mode Addendum, have the following meanings unless a different meaning clearly appears from the context:

"*Applicable RTV Extension Sequence Bonds*" means, in the case of Bonds in the RTV Mode, each subset of Bonds in an RTV Extension Sequence with a specific Extended Mandatory Purchase Date, which Bonds shall have a different CUSIP number from the Bonds issued on the Date of Issuance and from any Bonds in an RTV Extension Sequence with a different Extended Mandatory Purchase Date.

"*Authorized Denominations*" means $100,000 or any integral multiple of $5,000 above $100,000.

"*Bond*" means, unless context dictates otherwise, a bond in RTV Mode, and not any other bond outstanding under the Original Indenture.

"*Electronic Means*" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth above; provided, however, that if any person required to give a notice by Electronic Means shall not have been provided with the necessary information as to telephone or facsimile number or email address of an addressee, Electronic Means shall mean written notice by first class mail postage prepaid.

"*Extended Mandatory Purchase Date*" means (a) in the case of Bonds for which a Tender Notice has been delivered in accordance with this Addendum, the date that is one hundred eighty (180) calendar days after the Owner Optional Tender Notice Date for such Bond (or if such date is not a Business Day, the next preceding Business Day) provided, however that all Bonds that convert to an RTV Extension Sequence within the same month will receive the same Extended Mandatory Purchase Date as the first Bond that converts to an RTV Extension Sequence in any given month; and (b) any applicable RTV Purchase Acceleration Date with respect to the applicable Bonds.

"*Extension Rate*" means the per annum interest rate on any Bond during an RTV Extension Period, which rate shall be determined by the Calculation Agent based, in the manner described below, on the short-term ratings of the applicable Bond by Fitch, Moody's and S&P on the applicable Rate Determination Date, as determined by the Calculation Agent (which, absent actual knowledge to the contrary, may assume for such purpose that the applicable rating is the initial short-term rating on the applicable Bonds by the applicable rating agency) as follows:

SHORT TERM RATINGS			INTEREST RATE NUMBER OF INTEREST PAYMENT DATES SINCE NO BONDS BORE INTEREST AT AN EXTENSION RATE	
Fitch	**Moody's**	**S&P**	**0-3**	**4+**
F-1+	P-1	A-1+	One Year MMD Rate plus 100 basis points	Thirty Year MMD Rate plus 100 basis points
F-1	--	A-1	One Year MMD Rate plus 200 basis points	Thirty Year MMD Rate plus 200 basis points
F-2	P-2	A-2	Thirty Year MMD Rate plus 300 basis points	Thirty Year MMD Rate plus 300 basis points
F-3	P-3	A-3	Thirty Year MMD Rate plus 400 basis points	Thirty Year MMD Rate plus 400 basis points
Lower than F-3 (or insufficient number of ratings)	Lower than P-3 (or insufficient number of ratings)	Lower than A-3 (or insufficient number of ratings)	Maximum Rate	Maximum Rate

For purposes of determining any Extension Rate other than the Maximum Rate, a short-term rating on the applicable Bond shall be required from at least two Rating Agencies, and the applicable interest rate shall be the highest interest rate set forth above (in the grid box corresponding, as of the Interest Payment Date on which the applicable RTV Extension Period begins, to the number of Interest Payment Dates that have occurred since the last Interest Payment Date on which no Bonds bore interest at an Extension Rate) opposite a line that contains any of the short-term ratings in effect for the applicable Bond at the time of determination by the Calculation Agent of the applicable Extension Rate. For example, in the case of a Bond rated F-1 by Fitch, P-1 by Moody's and A-1+ by S&P, the Extension Rate would be determined by reference to the row containing F-1 (the lowest applicable rating); on each of the first three Interest Payment Dates following the last Interest Payment Date on which no Bonds bore interest at an Extension Rate, the Calculation Agent would determine the One Year MMD Rate in effect as of the applicable Interest Payment Date and add 200 basis points to establish the Extension Rate in effect for the RTV Extension Period that begins on the applicable Interest Payment Date; on each of the fourth and any subsequent Interest Payment Dates following the last Interest Payment Date on which no Bonds bore interest at an Extension Rate, the Calculation Agent would determine the Thirty Year MMD Rate in effect as of the applicable Interest Payment Date and add 200 basis points to establish the Extension Rate in effect for the RTV Extension Period that begins on the applicable Interest Payment Date. The same Extension Rate would be applicable to a Bond rated P-1 by Moody's and A-1 by S&P or to a Bond rated F-1+ by Fitch, P-1 by Moody's and A-1 by S&P. For purposes of counting the number of Interest Payment Dates since no Bonds bore interest at an Extension Rate, the Interest Payment Date on

which an RTV Extension Sequence begins is not deemed an Interest Payment Date on which the Bonds bore interest at an Extension Rate.

Notwithstanding any of the foregoing, the Extension Rate shall not exceed the Maximum Rate.

"*Final Mandatory Purchase Date*" means (a) with respect to a Bond with an Optional Purchase Date on or before September 1 of a calendar year, the January 15th of the next calendar year and (b) with respect to a Bond with an Optional Purchase Date after September 1 and before the next following January, the January 15th of the second following calendar year.

"*Interest Payment Date*" means each date on which interest is to be paid and is the first Business Day of each month commencing October 1, 2012, any Mode Change Date, the Maturity Date, any other date on which Bonds are purchased pursuant to the terms of the Indenture and any Final Mandatory Purchase Date.

"*Mandatory Purchase Date*" means the applicable Extended Mandatory Purchase Date or any Mode Change Date.

"*Optional Purchase Date*" means in the case of Bonds bearing interest at the RTV Weekly Rate for which a Tender Notice has been delivered in accordance with the Indenture, the date that is seven calendar days after the applicable Owner Optional Tender Notice Date (or if such date is not a Business Day, the preceding Business Day).

"*Owner Optional Tender Notice Date*" means the date as defined in Section 4.2(a) hereof.

"*Rate Determination Date*" means any date on which the interest rate on Bonds shall be determined, which shall be (i) for a Bond in the RTV Weekly Rate Period (except in the case of the initial RTV Weekly Rate Period following a Mode Change Date or RTV Period Change Date), the applicable Rate Reset Date; (ii) for a Bond bearing interest at the Extension Rate, the first day of the applicable RTV Extension Period, and (iii) in the case of the initial RTV Weekly Rate following a Mode Change Date, a date determined by the Remarketing Agent which shall be no later than the applicable Mode Change Date.

"*Rate Reset Date*" means each Thursday, or, if a particular Thursday is not a Business Day, the first Business Day succeeding such Thursday.

"*Record Date*" means the last Business Day before an Interest Payment Date.

"*RTV Extension Period*" means each period in the RTV Mode during which a Bond shall bear interest at an Extension Rate, which period shall

(a) begin

(i) on the first Business Day of the month on or after any Optional Purchase Date if a Bond bearing interest at an RTV Weekly Rate for which a Tender Notice has been delivered in accordance with Section 4.2(a) hereof is not remarketed in accordance

with Section 4.2(c) hereof or purchased from amounts provided by the City in its discretion, and

(ii) in the case of any other RTV Extension Period in an RTV Extension Sequence: on the Interest Payment Date following the preceding RTV Extension Period and

(b) end on the day preceding the earliest to occur of

(i) the next Interest Payment Date,

(ii) the next Mandatory Purchase Date,

(iii) the date on which such Bond is redeemed,

(iv) a Mode Change Date or Conversion Date for such Bond or

(v) the Maturity Date.

"*RTV Extension Sequence*" means, for a Bond bearing interest at an Extension Rate, the period commencing on the day immediately following the end of the most recent RTV Weekly Rate Period for such Bond.

"*RTV Mode*" means the Mode during which the Bonds bear interest pursuant to this RTV Mode Addendum.

"*RTV Purchase Acceleration Date*" means for any Bond that has been in an RTV Extension Sequence for at least 90 days as of such date, any date that is an Extended Mandatory Purchase Date for any other RTV Bond if such other RTV Bond has not been remarketed prior to such Extended Mandatory Purchase Date.

"*RTV Rate*" means the per annum interest rate on any Bond in the RTV Mode. The RTV Rate on a Bond shall be the applicable RTV Weekly Rate or, during an RTV Extension Period with respect to such Bond, the applicable Extension Rate.

"*RTV Rate Period*" means each RTV Weekly Rate Period or RTV Extension Period during which a Bond bears interest at an RTV Rate.

"*RTV Weekly Rate*" means the per annum interest rate on any Bond in the RTV Mode during an RTV Weekly Rate Period, as determined pursuant to Section 3.2 hereof.

"*RTV Weekly Rate Period*" means each period during which a Bond shall bear an RTV Weekly Rate, which shall be a period generally consisting of 7 days commencing on a Thursday (or, if a particular Thursday is not a Business Day, the first Business Day succeeding such Thursday) and ending on the next Wednesday (or, if the Thursday after such Wednesday is not a Business Day, on the day immediately preceding the next Rate Reset Date), except in the case of (i) the initial RTV Weekly Rate Period occurring after a Mode Change Date involving a change from another Mode to an RTV Weekly Rate Period in the RTV Mode, for which the period shall

be from the applicable Mode Change Date to and including the day preceding the first day of the next RTV Weekly Rate Period; (ii) the last RTV Weekly Rate Period during an RTV Mode for such Bond, for which the period shall end on the day preceding the applicable Mode Change Date, Conversion Date, redemption date or Maturity Date; (iii) the last RTV Weekly Rate Period preceding an RTV Extension Period for the applicable Bond, for which the period shall end on the day preceding the applicable RTV Extension Period and (iv) any period occurring during an RTV Extension Period.

"*Tender Notice*" means a notice delivered by Electronic Means or in writing that states (i) the Series description, CUSIP, and principal amount of such Bond to be purchased pursuant to Section 4.2(a) hereof, (ii) electronic and telephone contact information of the tenderer, and applicable payment instructions with respect to the Bonds being tendered for purchase, and (iii) an irrevocable demand for such purchase.

Section 1.2 Miscellaneous Definitions. As used herein, and unless the context shall otherwise indicate, the words "Bond," "Owner," and "Person" shall include the plural as well as the singular number.

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

Unless otherwise provided herein, all references to a particular time are to New York City Time.

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

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

The Bonds in RTV Mode shall be issuable substantially in the form attached as *Exhibit A* hereto in accordance with Article II of the Original Indenture, with such appropriate variations, omissions and insertions as are permitted or required by this RTV Mode Addendum or the Original Indenture.

ARTICLE III

CALCULATION AND PAYMENT OF INTEREST AND CHANGE IN MODE

Section 3.1 Calculation of Interest.

(a) Interest shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed.

(b) Notwithstanding any provision to the contrary herein, no Bond shall bear interest at an interest rate higher than the Maximum Rate.

(c) In the absence of manifest error, the determination of interest rates (including any determination of rates in connection with a New Mode), any spread and interest periods established by the Remarketing Agent and the record of interest rates maintained by the Trustee shall be conclusive and binding upon the Remarketing Agent, the Trustee, the City, the Owners and the Beneficial Owners.

(d) The RTV Mode shall be deemed a Short-Term Mode under the Original Indenture.

Section 3.2 Determination of Interest Rate.

(a) The interest rate for a Bond while in an RTV Weekly Rate Period during the RTV Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the Bonds for the upcoming RTV Weekly Rate Period of the RTV Mode at a price equal to the principal amount thereof plus accrued interest, if any. The interest rate for a Bond while in an RTV Weekly Rate Period shall be reset on each Rate Reset Date.

(b) With respect to each RTV Weekly Rate Period occurring during the RTV Mode, the Remarketing Agent shall establish the RTV Weekly Rate by 10:00 A.M. on the applicable Rate Determination Date. The Remarketing Agent shall make the RTV Weekly Rate available after 10:00 A.M. on each Rate Determination Date by telephone or Electronic Means to the Trustee, the City, and to any Beneficial Owner or other Notice Party requesting such rate.

(c) While a Bond is in an RTV Extension Period during the RTV Mode, the Bonds shall bear interest at the Extension Rate. The Calculation Agent shall establish the Extension Rate by 12:00 P.M. on the applicable Rate Determination Date. The Calculation Agent shall make the Extension Rate available after 12:00 P.M. on the applicable Rate Determination Date by telephone or Electronic Means to the Trustee and any Beneficial Owner or other Notice Party requesting such rate.

(d) A Bond bearing interest at the Extension Rate or Maximum Rate that is remarketed during the RTV Mode (other than a Mode Change Date) shall bear interest at the applicable RTV Weekly Rate after such remarketing.

(e) During any period in which an Additional Event of Default for any Bond in RTV Mode has occurred and is continuing, a Bond in the RTV Mode shall bear interest at the Maximum Rate.

(f) During the RTV Mode, the City shall notify the Calculation Agent, the Trustee and the Remarketing Agent by phone call and Electronic Means of any change in any of the short-term ratings on the Bonds no later than the Business Day following the date on which the City receives notice from the applicable rating agency of the applicable change or otherwise becomes aware of such change.

Section 3.3 Alternate Rates. While Bonds are in the RTV Weekly Rate Period of the RTV Mode, the following provisions shall apply in the event (i) the Remarketing Agent fails or is unable to determine the interest rate for any Bonds, (ii) the method by which the Remarketing Agent determines the interest rate with respect to the Bonds shall be held to be unenforceable by a court of law of competent jurisdiction or (iii) the Bonds are not purchased when required to be by the terms hereof and no rate has been set for non-purchased Bonds. These provisions shall continue to apply until such time as the Remarketing Agent (or the City if applicable) again makes such determinations. In the case of clause (ii) above, the Remarketing Agent (or the City, if applicable) shall again make such determination at such time as there is delivered to the Remarketing Agent and the City a Favorable Opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. If any of the events described in clauses (i), (ii) or (iii) shall be applicable, the Bonds shall bear interest during each subsequent Interest Period at a rate per annum equal to the SIFMA Rate in effect on the first day of such Interest Period plus 25 basis points, as determined by the Calculation Agent. Such methods of rate determination shall be applicable from and after the date any of the events described in clauses (i), (ii), or (iii) first become applicable to any Bonds until such time as such events are no longer applicable to any Bonds.

Section 3.4 Mode Changes. Prior to the Conversion Date, subject to the provisions of this Section and the Original Indenture, the City may effect a change in Mode with respect to all or a portion of the Bonds in RTV Mode. All or a portion of the Bonds may be changed to or from RTV Mode as follows:

(a) Mode Change Notice; Notice to Owners. Notice of the proposed change in Mode shall be given by the Trustee to the Owners of the applicable Bonds as provided for in the Original Indenture. The notices described in 3.5(a)(i) of the Original Indenture shall not be required for Bonds bearing interest at an Extension Rate or Maximum Rate.

(b) Determination of Interest Rates. When converting to RTV Mode, the new Mode shall commence on the Mode Change Date and the interest rate shall be determined by the Remarketing Agent in the manner provided in Section 3.2 of this RTV Mode Addendum.

(c) Conditions Precedent. The Mode Change Date shall be any Business Day in the case of a change from the RTV Mode.

ARTICLE IV

OPTIONAL REDEMPTION, OPTIONAL TENDER AND MANDATORY PURCHASE OF BONDS

Section 4.1 Optional Redemption and Purchase in Lieu of Redemption. Bonds in the RTV Mode are subject to optional redemption or mandatory purchase in lieu of redemption by the City, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price or purchase price equal to the principal amount thereof, plus, accrued interest, if any, from the end of the preceding Interest Accrual Period to the Redemption Date or purchase date, provided that no Bond in the RTV Mode shall be optionally redeemed or purchased in

whole or in part unless all Bonds bearing interest at an Extension Rate on or as of the date notice of such optional redemption or purchase is given are redeemed or purchased and that if less than all Bonds bearing interest in the RTV Mode are optionally redeemed or purchased, Bonds bearing interest at an Extension Rate shall be selected for redemption or purchase before Bonds that will bear interest at an RTV Weekly Rate immediately following the applicable optional redemption or purchase date.

Section 4.2 Optional Tenders of Bonds.

(a) Owners of Bonds in an RTV Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to Authorized Denominations) purchased at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Trustee (with a copy to the Remarketing Agent) on any Business Day. The date the Trustee receives the notice is the "Owner Optional Tender Notice Date." The giving of such Tender Notice shall constitute the irrevocable tender for purchase of such Bond on the purchase date for such Bond designated by the Remarketing Agent pursuant to the next paragraph of this Section. As soon as practicable upon receipt of a Tender Notice, but not later than 12:00 Noon, Eastern Time, on the day following receipt of the Tender Notice, the Trustee shall notify the Remarketing Agent and the City by Electronic Means, of receipt of such notice, the name of the Beneficial Owner and the principal amount of Bonds tendered.

(b) Upon receipt by the Remarketing Agent of the Tender Notice, the Remarketing Agent shall give notice to the tendering Beneficial Owner of the date that is seven calendar days after the applicable Owner Optional Tender Notice Date (or if such date is not a Business Day, the preceding Business Day) (the applicable "Optional Purchase Date"). If the Remarketing Agent identifies a purchaser for a Bond (or portions of a Bond in an amount equal to an Authorized Denomination) for which a Tender Notice has been given, the Remarketing Agent shall give notice by Electronic Means to the tendering Beneficial Owner, the Trustee and the City that a purchaser has been identified and the amount of Bonds to be purchased. The Trustee shall purchase pursuant to Section 3.10 of the Original Indenture a Bond in an RTV Mode for which a Tender Notice has been given on the applicable Optional Purchase Date at the Purchase Price, but only with remarketing proceeds or, if applicable, any other amounts made available, in its discretion, by the City.

(c) If sufficient remarketing proceeds are not available for the purchase of such Bond on the applicable Optional Purchase Date, and no other amounts provided by the City in its discretion are available for the purchase of such Bond on such Optional Purchase Date, then Bonds, in amounts equal to Authorized Denominations, up to the amount of the available funds shall be purchased, and the Remarketing Agent shall continue to attempt to remarket the remaining Bonds and such Bonds shall be subject to mandatory purchase on any Business Day thereafter; provided, however, no Event of Default or Additional Event of Default shall occur pursuant to Section 7.1 or Section 7.2 of the Original Indenture as a result of the non-purchase of such remaining Bonds on such Optional Purchase Date or thereafter except as provided in Section 4.3 hereof.

(d) If by 10:30 A.M. on an Optional Purchase Date, the Remarketing Agent despite its best efforts has been unable to remarket all Bonds to be purchased on such Optional Purchase

Date at par, and no other amounts provided by the City in its discretion are available for the purchase of such Bonds on such Optional Purchase Date:

(i) the Remarketing Agent shall notify by Electronic Means the Trustee, the applicable Bondowners/Beneficial Owners and the City by 10:45 A.M. that certain Bonds were not purchased on the Optional Purchase Date because funds were unavailable to pay the applicable Purchase Price and such notice shall include the principal amount of Bonds that will not be purchased on such Purchase Date; and

(ii) the Trustee shall promptly provide written notice to each Rating Agency of such failure to remarket all the tendered Bonds.

(e) If on any Business Day after the Optional Purchase Date and prior to the Mandatory Purchase Date the Remarketing Agent is able to remarket Bonds that were not purchased on their applicable Optional Purchase Date, the Remarketing Agent shall provide notice by Electronic Means to the Trustee, applicable Beneficial Owners and the City that such Bonds have been purchased and shall include in such notice the purchase date and principal amount of Bonds to be purchased. If the Remarketing Agent has found purchasers for some but not all of the tendered Bonds, the remarketed Bonds shall be selected for purchase in the order of priority set forth in Section 3.9(c)(iv) of the Original Indenture.

Section 4.3 Mandatory Purchase on Mandatory Purchase Date.

(a) The Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date for the applicable Bond and on any Business Day thereafter. The Trustee shall give notice of such mandatory purchase by Electronic Means to the Owners of the Bonds subject to such mandatory purchase and to each Rating Agency no later than the Business Day after the applicable purchase date to Owners of Bonds bearing interest at the Maximum Rate. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of such Bond or any other Bond subject to such mandatory purchase. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner or Beneficial Owner.

(b) The failure to pay the Purchase Price on an Extended Mandatory Purchase Date of all tendered Bonds with that Extended Mandatory Purchase Date shall constitute an Additional Event of Default pursuant to Section 7.2 of the Original Indenture.

(c) The failure to pay the Purchase Price on a Final Mandatory Purchase Date of all tendered Bonds with that Final Mandatory Purchase Date shall constitute an Event of Default pursuant to Section 7.1 of the Original Indenture.

Section 4.4 RTV Extension Period for Unremarketed Bonds in the RTV Mode; Exchange for Applicable RTV Extension Sequence Bonds.

(a) In the case of a Bond bearing interest at an RTV Weekly Rate for which a Tender Notice has been delivered in accordance with Section 4.2(a) hereof and which has not been remarketed in accordance with Section 4.2(c) by the applicable Optional Purchase Date, if by 10:30 A.M. on the first Business Day of the month following the applicable Optional Purchase

Date (or, if the applicable Optional Purchase Date is the first Business Day of a month, by 10:30 A.M. on such Optional Purchase Date), the Remarketing Agent despite its best efforts has been unable to remarket at par all such Bonds and any Bonds then bearing interest at an Extension Rate (which best efforts shall include offering such Bonds for remarketing at an RTV Weekly Rate as high as the Maximum Rate if a lower interest rate is insufficient to remarket all such Bonds):

(i) the Remarketing Agent shall notify by Electronic Means the Trustee, the Calculation Agent and the City by 10:45 A.M. that it has been unable to remarket all such Bonds, and shall include in such notice the principal amount of Bonds it has been unable to remarket;

(ii) if the Remarketing Agent has found purchasers for some but not all of such Bonds, the remarketed Bonds shall be selected in accordance with Section 3.9(c)(iv) of the Original Indenture;

(iii) if no other amounts provided by the City in its discretion are available for the purchase of such Bond, for each such unremarketed Bond that is not already an Applicable RTV Extension Sequence Bond, the Trustee shall authenticate an Applicable RTV Extension Sequence Bond in a principal amount equal to the principal amount of such unremarketed Bond, register such Applicable RTV Extension Sequence Bond in the name in which the applicable unremarketed Bond is registered, obtain or request that the City obtain or cause to be obtained a new CUSIP number for the Applicable RTV Extension Sequence Bond (and upon any such request the City shall promptly obtain or cause to be obtained such new CUSIP number), cancel the applicable unremarketed Bond, and deliver the Applicable RTV Extension Sequence Bond to the Owner of such unremarketed Bond, and, with respect to Bonds held in the Book Entry-Only System, shall instruct the Securities Depository to reduce the applicable positions of the Beneficial Owners in the unremarketed Bonds by the applicable principal amount of unremarketed Bonds and credit a commensurate principal amount of the Applicable RTV Extension Sequence Bonds to the applicable Beneficial Owners;

(iv) the Applicable RTV Extension Sequence Bonds delivered on such Interest Payment Date under clause (iii) above shall bear interest at the Extension Rate commencing on such date until the applicable Extended Mandatory Purchase Date or RTV Purchase Acceleration Date and shall state the Extended Mandatory Purchase Date and, if unpaid on the Extended Mandatory Purchase Date or RTV Purchase Acceleration Date, shall bear interest at the Maximum Rate; and

(v) if no Bonds bore interest at the Extension Rate in the prior Interest Period, then the City shall promptly provide to each Rating Agency electronic notice, and post a continuing disclosure notice with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access website of the MSRB for the RTV Bonds, of the commencement of the applicable RTV Extension Period and of the principal amount of the Bonds subject to such RTV Extension Period.

(b) The Remarketing Agent shall continuously attempt to remarket all Bonds in an RTV Extension Sequence.

(c) Upon the remarketing at an RTV Weekly Rate of any Applicable RTV Extension Sequence Bond, the Trustee shall authenticate a Bond in a principal amount equal to the principal amount of such remarketed Bond, register such Bond in the name provided to the Trustee by the Remarketing Agent, cancel the Applicable RTV Extension Sequence Bond, and deliver the applicable new Bond (which, if such new Bond bears interest at an RTV Weekly Rate, shall, unless otherwise requested in writing by the Remarketing Agent, have the same CUSIP number as the Bonds originally issued at or changed or converted to an RTV Weekly Rate, as applicable) and, with respect to Applicable RTV Extension Sequence Bonds held in the Book Entry-Only System, shall instruct the Securities Depository to reduce the applicable positions of the Beneficial Owners of the remarketed Applicable RTV Extension Sequence Bonds by the applicable principal amount of remarketed Bonds, commensurately increase the principal amount of the Bonds bearing interest at an RTV Weekly Rate held by the Securities Depository and credit a commensurate principal amount of such Bonds to the applicable Beneficial Owners purchasing the remarketed Bonds bearing interest at an RTV Weekly Rate.

Section 4.5 RTV Extension Sequence Accrued Interest. If on any Business Day the Remarketing Agent is able to remarket a Bond that is in an RTV Extension Sequence bearing interest at an Extension Rate or the Maximum Rate, the City shall provide funds to the Trustee by 3:00 P.M. Eastern Time for deposit in the Remarketing Proceeds Account of the Purchase Fund to make up any deficiency in the Remarketing Proceeds Account due to insufficiency of the accrued interest on the remarketed Bonds to provide for the interest portion of the Purchase Price on the Bonds.

ARTICLE V

COVENANTS

Section 5.1 Remarketing. The City will retain a Remarketing Agent while Bonds are in the RTV Mode to use its best efforts to remarket any tendered Bond until such Bond is remarketed or is not longer Outstanding. The City covenants that commencing not later than: (i) 120 days prior to the earlier of any Extended Mandatory Purchase Date or any Final Mandatory Purchase Date of a Bond in RTV Mode (the "Required Remarketing Date"), the City will begin the process to offer for sale Bonds in any mode other than RTV Mode; (ii) 30 days prior to the Required Remarketing Date, the City will sell upon reasonable and customary terms and conditions, such remarketed Bonds; and (iii) 10 days prior to the Required Remarketing Date, if sold, deposit such remarketing proceeds into the Remarketing Proceeds Account to purchase Bonds on or before the Required Remarketing Date.

Section 5.2 Abatement. Pursuant to Section 6.6 of the Original Indenture, the City may presume the continued remarketing of Bonds in the RTV Mode in order to abate the annual levy relating to principal on Bonds in RTV Mode; however, the City covenants that it will not abate the annual levy relating to principal on the Bonds for the following calendar year with

respect to any Outstanding Bonds in RTV Mode if there is an RTV Bond in the RTV Extension Period with an Optional Purchase Date on or before September 1st of the current year.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Construction. This RTV Mode Addendum shall be construed in accordance with the provisions of Wisconsin law.

Section 6.2 Headings Not a Part of this Addendum. Any headings preceding the texts of the several Articles and Sections hereof, and any Table of Contents appended to copies hereof, are solely for convenience of reference and do not constitute a part of this RTV Mode Addendum, nor do they affect its meaning, construction or effect.

Section 6.3 Multiple Counterparts. This RTV Mode Addendum may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and all such counterparts shall constitute but one and the same instrument.

Section 6.4 Effectiveness. This RTV Mode Addendum, once executed by the parties hereto shall become effective and shall become part of the Original Indenture as if it were originally made a part thereof.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this RTV Mode Addendum to be duly executed, all as of the day and year first above written.

CITY OF MILWAUKEE

_____
Tom Barrett, Mayor

_____
James R. Owczarski, City Clerk

Approved as to
form, content, and execution this
_____ day of _____, 2012

COUNTERSIGNED:

_____
City Attorney

_____
Martin Matson, Comptroller

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:_____
Authorized Representative

EXHIBIT A

FORM OF ROLLING TENDER VARIABLE RATE BOND

REGISTERED **REGISTERED**

No. R-____ **$ _____**

UNITED STATES OF AMERICA
STATE OF WISCONSIN
COUNTY OF MILWAUKEE
CITY OF MILWAUKEE
GENERAL OBLIGATION CORPORATE PURPOSE
MULTIMODAL BONDS
SERIES 2012 V10 (ROLLING TENDER VARIABLE RATE BONDS)

MATURITY DATE	DATE OF ISSUE	CUSIP
February 15, 2032	_____	602366___

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM:

INTEREST RATE: [An RTV Rate until converted to a different Mode, as provided in the Indenture, hereinafter defined]

FOR VALUE RECEIVED, THE CITY OF MILWAUKEE, WISCONSIN (the "City"), hereby promises to pay, but solely in the manner and hereinafter provided, to the registered owner stated above, or registered assigns, on the Maturity Date specified above upon presentation and surrender hereof, the Principal Amount stated above, and to pay to the registered owner hereof interest on the balance of said Principal Amount from time to time remaining unpaid, from the Date of Issue specified above, at the RTV Rate computed on the basis set forth in the Indenture, on the Interest Payment Dates as defined in the Indenture until payment in full of such Principal Amount, except as the provisions hereinafter set forth with respect to tender or redemption prior to maturity may become applicable hereto. Principal and redemption or purchase price of this bond shall be payable at the designated office of U.S. Bank National Association, as trustee (the "Trustee"), in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts and payment of the interest hereon shall be paid to the registered owner hereof by check or draft mailed to the Person who is the registered owner hereof as of the Record Date as defined in the Indenture at the address of such registered owner as it appears on the registration books of the City maintained at the designated office of the Trustee. While DTC (hereinafter defined) or its nominee is the registered owner of the Bonds, principal or redemption or purchase price, if any,

of and interest on this bond shall be paid by wire to the registered owner in accordance with procedures established by the City and DTC as hereinafter defined.

The Bonds are being issued in fully registered form by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the Bonds in Authorized Denominations, as defined in the Indenture, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its Participants.

This Bond and the series of which it is one are authorized to be issued and are issued under, pursuant to and in full compliance with the Constitution and statutes of the State of Wisconsin, including particularly Chapter 67 of the Wisconsin Statutes, and acts supplementary thereto, the Charter of the City, resolutions duly passed by the Common Council of the City, including particularly the Resolution duly adopted by such Council on June 12, 2012 (the "Resolution") and the Trust Indenture dated as of August 1, 2012 by and between the City and the Trustee (the "Indenture"), for the purpose of financing or refinancing a portion of the costs of various projects for the City.

This Bond is one of a series of bonds designated as "City of Milwaukee, Wisconsin, General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10 (Rolling Tender Variable Rate Bonds)" issued in the aggregate principal amount of $15,000,000 and duly issued under and pursuant to the Resolution and the Indenture (the "Bonds"). Copies of the Resolution and the Indenture are on file at the office of the City Clerk of the City, in Milwaukee, Wisconsin, and at the office of the Trustee.

This Bond is transferable, as provided in the Indenture, only upon the books of the City kept for that purpose at the designated office of the Trustee, by the registered owner hereof in person or by his or her attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his or her duly authorized attorney. This Bond may not be transferred or exchanged in a manner which would involve the delivery of bond certificates to the beneficial owners of Bonds unless the book-entry system has been discontinued by the City in accordance with the Indenture. Upon transfer of this Bond, there shall be issued in the name of the transferee a new registered Bond or Bonds of the same tenor and maturity of an Authorized Denomination or Denominations and for the same aggregate amount, all as provided in the Indenture and upon the payment of the charges therein prescribed. The City, the Trustee and any paying agent may treat and consider the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, purchase price or redemption price hereof and interest hereon and for all other purposes whatsoever, irrespective of any notice to the contrary.

This Bond is subject to optional redemption and mandatory redemption as more specifically provided in the Indenture upon notice thereof as provided therein. This Bond is also subject to mandatory purchase and tender under certain circumstances as provided in the Indenture.

The full faith, credit and resources of the City are hereby irrevocably pledged to the punctual payment of the principal of this Bond at maturity and on the Final Mandatory Purchase Date and the interest on this Bond as the same become due. A direct annual irrepealable tax shall be levied in each year that the Bonds are Outstanding, in an amount sufficient to pay and for the express purpose of paying the interest on the Bonds, as it falls due, and also to pay and discharge the principal thereof at maturity and on the Final Mandatory Purchase Date, and shall be extended upon the tax roll of the City and shall be collected by the officers of the City in the same manner and at the same time as taxes for general City purposes for such years are extended and collected, and when so collected, the proceeds of said taxes shall be used solely for paying the principal (payable at maturity or on the Final Mandatory Purchase Date) and interest on such Bonds as long as any Bonds of said issue remain outstanding in the RTV Mode.

Except as otherwise provided herein and unless the context clearly indicates otherwise, words and phrases used herein shall have the same meanings as assigned to such words and phrases in the Resolution and the Indenture. Bonds may be converted to a different Mode only in accordance with the Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the State of Wisconsin and by the Resolution and the Indenture to exist, to have happened or to have been performed precedent to or in connection with the issuance of this Bond exist, have happened and have been performed and that the issuance of the Bonds, together with all other indebtedness of the City is within every debt and other limit prescribed by said Constitution and statutes; and that the City has levied a direct, annual irrepealable tax sufficient to pay this Bond, together with interest thereon, when and as payable.

This Bond shall not be valid until the Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the CITY OF MILWAUKEE has caused this Bond to be signed by the facsimile signatures of the Mayor and City Clerk, countersigned by the manual signature of the Comptroller, attested by the facsimile signatures of the Commissioners of the Public Debt, and sealed with the City's seal, and has caused this Bond to be dated this ____ day of _____, 2012.

ATTEST:

_____	_____
Commissioner of the Public Debt	Mayor
_____	_____
Commissioner of the Public Debt	City Clerk
_____	_____
Commissioner of the Public Debt	Comptroller

[SEAL]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolution and Indenture, and is one of the General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10 (Rolling Tender Variable Rate Bonds) of the City of Milwaukee, Wisconsin.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:_____
Authorized Officer or Authorized Representative

Date of Authentication: _____ __, 2012

ASSIGNMENT

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto

_____

_____

(Please print or type name and address, including postal zip code, of transferee)

PLEASE INSERT SOCIAL SECURITY
OR OTHER TAX IDENTIFYING NUMBER
OF TRANSFEREE:

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer such Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

_____	_____
Signature(s) Guaranteed	(Signature(s) of Registered Holder)
NOTICE: Signature(s) must be guaranteed by an approved, eligible guarantor institution, an institution which is a participant in the Securities Transfer Association recognized signature guarantee program	NOTICE: The signature (s) above must correspond with the name of the Registered Holder as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

APPENDIX D

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

_____ ___, ____

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

We have examined a record of proceedings relating to the issuance of $15,000,000 aggregate principal amount of General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10 (the "Bonds") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 67 of the Wisconsin Statutes and the City Charter; the Trust Indenture dated as of August 1, 2012 (the "Indenture"), between the City and U.S. Bank National Association, as trustee; and by virtue of resolutions adopted by the Common Council of the City on January 20, 2010 January 19, 2011, January 6, 2012, February 28, 2012 and June 12, 2012.

The Bonds constitute an issue of "corporate purpose bonds" under Section 67.05 of the Wisconsin Statutes, and are issuable in fully registered form in the denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The Bonds are initially issued as Rolling Tender Variable Rate Bonds, are dated as of ___, 2012 and bear interest from their date at a variable rate of interest determined by Morgan Stanley & Co. LLC, as remarketing agent, during each RTV Weekly Rate Period (as defined under the Indenture) as more fully described in the Indenture. The Bonds mature on February 15, 2032.

The Bonds are subject to redemption or purchase in lieu of redemption prior to maturity on any date, at the option of the City, at a redemption price equal to the principal amount thereof to be redeemed or purchased, plus accrued interest thereon to the date fixed for redemption or purchase, in such principal amounts as the City shall determine, in whole or in part, and if in part the Bonds to be redeemed or purchased shall be selected by the Trustee in such manner as the Trustee may deem fair and appropriate; provided that Bonds bearing interest at an Extension Rate shall be selected for redemption or purchase prior to Bonds that bear interest at a RTV Weekly Rate immediately following the applicable redemption or purchase date.

The Bonds are also subject to optional and mandatory tender as described in the Indenture.

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

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Bonds, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted to comply with these requirements.

Interest on the Bonds is not exempt from Wisconsin income taxes.

Respectfully submitted,

RMF/gw

APPENDIX E

MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of December 1, 2010 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 100846 duly adopted by the Common Council of the City on November 23, 2010 (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 the Repository, 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:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults, if material;
(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;
(vii) modifications to rights of Security Holders, if material;
(viii) bond calls, if material;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;
(xi) rating changes;
(xii) tender offers;
(xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligor in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligor, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and

orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

(xiv) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of substantially all of the assets of the Obligor, other than pursuant to its terms, if material; and

(xv) appointment of a success or additional trustee or the change of name of a trustee, if material.

(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) "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).

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

(11) "Repository" means the SID and repository(ies), as designated from time to time by the SEC to receive continuing disclosure filings. The SID, repository(ies), and filing information are set forth in the Addendum Describing Repository and SID (Exhibit A) as may be revised from time to time.

(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 the Repository.

(b) The City shall provide, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the Repository.

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 the Repository.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a Material Event Notice to the Repository.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to the Repository, 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.

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 the Repository existing at the time of such reference, 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. Transmission of information and notices shall be as prescribed by the SEC and the Repository. The transmission requirements are described in the Addendum Describing Repository.

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 the Repository.

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 the Repository.

(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 the Repository.

(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 the Repository.

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 December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

This Addendum Describing Repository (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 December 1, 2010. This Addendum describes the filing information as specified by the Securities and Exchange Commission.

Repositories

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

Information submitted to the MSRB for disclosure on the EMMA shall be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SID (State Information Depository)

None.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL OBLIGATION DEBT

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "City") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. 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.

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

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

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

WMM:RL

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 December 1, 2010. 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:

$15,000,000 General Obligation Corporate Purpose Multimodal Bonds, Series 2012 F9
15,000,000 General Obligation Corporate Purpose Multimodal Bonds, Series 2012 V10

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL
REPORT FOR GENERAL OBLIGATION
DEBT

Date of Issues:

_____, 2012

No Previous Non-Compliance. The Issuer represents that for the period beginning 6 years prior to the date hereof, 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.

IN WITNESS WHEREOF, this Supplemental Certificate is executed this ____ day of ____, 2012.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

MM:RL

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Series 2012 V10 • City of Milwaukee • General Obligation Corporate Purpose Multimodal Bonds

City of Milwaukee

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