

*In the opinion of Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel, under existing law, interest on the 2013A Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes and, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, interest on the 2013A Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the 2013A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the 2013A Bonds is exempt from all taxation by the State of Wisconsin. However, interest on and income from the 2013A Bonds is includable in the measure of tax for Wisconsin corporate franchise tax purposes. See "TAX EXEMPTION" herein.*

**\$45,570,000**

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (WISCONSIN)  
Refunding Revenue Bonds, Series 2013A  
(Milwaukee Public Schools - Neighborhood Schools Initiative)**

**Dated:** Date of issuance.

***Maturities,***

***Interest Rates,***

***Prices and Yields:*** As shown on the inside front cover.

***Interest Payment***

***Dates:*** Payable semi-annually on the first day of each February and August, commencing August 1, 2013.

***Issuance:***

The 2013A Bonds are issuable as fully registered bonds in denominations of \$5,000 or any multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2013A Bonds. Purchasers of 2013A Bonds will not receive physical delivery of bond certificates. Beneficial ownership of the 2013A Bonds will be evidenced by book-entry only. Principal and interest payments will be made directly to Cede & Co., as nominee of DTC, which will in turn remit such payments to the DTC Participants for subsequent disbursement to the beneficial owners.

The 2013A Bonds will be issued pursuant to the terms of an Indenture of Trust dated as of February 1, 2002, as supplemented by a Fourth Supplemental Indenture of Trust dated as of May 1, 2013 (together, and as amended and supplemented from time to time, the "Indenture"), each between the Redevelopment Authority of the City of Milwaukee (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). Prior issues of bonds were issued pursuant to the Indenture on February 14, 2002 (the "2002A Bonds"), November 18, 2003 (the "2003A Bonds") and February 1, 2007 (the "2007A Bonds"). Additional bonds may be issued pursuant to the terms of the Indenture (the "Additional Bonds" and, collectively with the 2002A Bonds, the 2003A Bonds, the 2007A Bonds and the 2013A Bonds, the "Bonds").

***Purpose:***

The 2013A Bonds are being issued to provide for the current refunding of the remaining 2002A Bonds and the callable 2003A Bonds all of which financed in part, the Neighborhood Schools Plan described in APPENDIX B hereto.

***Security:***

The Bonds are special, limited obligations of the Issuer and shall never constitute debt or indebtedness of Milwaukee Board of School Directors ("MPS"), the City of Milwaukee, the State of Wisconsin (the "State") or any subdivision thereof, or a charge against the general credit or taxing powers of any of them. The Issuer has no taxing powers.

All Bonds will be secured on an equal and ratable basis by (1) all cash and securities held from time to time in the Trust Funds (with certain exceptions described herein) held by the Trustee, and the investment earnings thereon, and (2) all payments made by MPS on any notes issued under the Loan Agreement described herein (collectively, the "Notes"). All Notes are limited obligations of MPS, payable solely from, and secured equally and ratably by, a pledge of all Intradistrict Aid (as defined herein) from the State.

The 2002A Bonds, the 2003A Bonds and the 2007A Bonds are secured on an equal and ratable basis under the Indenture by the Special Debt Service Reserve Fund. MPS is required to fund any deficiency in the Special Debt Service Reserve Fund to the extent Intradistrict Aid is available for such purpose. In addition, the State has issued its Moral Obligation Pledge to fund any deficiencies in the Special Debt Service Reserve Fund.

The 2013A Bonds are not secured by the Moral Obligation Pledge or the Special Debt Service Reserve Fund.

***Redemption:***

The 2013A Bonds are subject to optional redemption prior to maturity upon a Determination of Taxability. The 2013A Bonds are not subject to mandatory redemption.

***Underwriting:***

The 2013A Bonds will be offered when, as and if issued by the Issuer and accepted by the Underwriters, 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. It is expected that delivery of the 2013A Bonds will be made through the facilities of DTC on or about May 6, 2013 against payment therefor. For information with respect to the Underwriters and their compensation, see "UNDERWRITING" herein.

**J.P. Morgan**

**M.R. Beal & Company**

**Cabrera Capital Markets, LLC**

## MATURITY SCHEDULE

<b><u>Maturity Date</u></b> <b><u>(August 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>
2013	\$1,040,000	2.000%	0.330%	100.393
2014	5,130,000	3.000	0.420	103.177
2015	5,550,000	4.000	0.640	107.447
2016	6,010,000	4.000	0.840	110.066
2017	6,530,000	5.000	1.030	116.412
2018	7,120,000	5.000	1.270	118.835
2019	7,740,000	5.000	1.510	120.693
2020	3,100,000	5.000	1.770	121.844
2021	3,350,000	5.000	2.030	122.418

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

No dealer, broker, sales representative or other person has been authorized by MPS, the Issuer, Public Financial Management, Inc., or by J.P. Morgan Securities LLC, M.R. Beal & Company or Cabrera Capital Markets, LLC (collectively, the "Underwriters"), to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2013A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Information set forth in this Official Statement has been furnished by MPS and other sources which are believed to be reliable but not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that opinions are correct as of any time subsequent to the date hereof.

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

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2013A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The 2013A Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon certain exemptions set forth in such Acts. The registration, qualification or exemption of the 2013A Bonds in accordance with the applicable securities law provisions of the jurisdictions wherein these securities have been registered, qualified or exempted should not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have guaranteed or passed upon the safety of the 2013A Bonds as an investment, upon the probability of any earnings thereon, or upon the accuracy or adequacy of this Official Statement. Representation to the contrary is a criminal offense.

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## OFFICIAL STATEMENT

**\$45,570,000**

**Redevelopment Authority of the City of Milwaukee (Wisconsin)  
Refunding Revenue Bonds, Series 2013A  
(Milwaukee Public Schools — Neighborhood Schools Initiative)**

### INTRODUCTION

#### **Purpose of this Official Statement**

This Official Statement sets forth information in connection with the offering of \$45,570,000 Redevelopment Authority of the City of Milwaukee (Wisconsin) Refunding Revenue Bonds, Series 2013A (Milwaukee Public Schools — Neighborhood Schools Initiative) (the “2013A Bonds”) by the Redevelopment Authority of the City of Milwaukee (the “Issuer”). The 2013A Bonds are authorized to be issued under Section 66.1333(5r) of the Wisconsin Statutes (the “Act”) pursuant to a resolution adopted by the Issuer on June 21, 2012. The 2013A Bonds will be issued under and secured by an Indenture of Trust dated as of February 1, 2002 (as amended from time to time, including by the Fourth Supplemental Indenture of Trust dated as of May 1, 2013 relating to the 2013A Bonds, the “Indenture”) between the Issuer and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A., as Trustee (the “Trustee”). The Trustee will act as the registrar, paying agent and authenticating agent for the 2013A Bonds. Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in **APPENDIX C** “Definitions of Certain Terms and Summary of the Principal Bond Documents.”

#### **2002A Bonds, 2003A Bonds, 2007A Bonds and Additional Bonds**

On February 14, 2002, the Issuer issued \$33,300,000 of its Revenue Bonds, Series 2002A (Milwaukee Public Schools — Neighborhood Schools Initiative) (the “2002A Bonds”) pursuant to the terms of the Indenture, and on November 18, 2003 the Issuer issued \$78,740,000 of its Revenue Bonds, Series 2003A (Milwaukee Public Schools — Neighborhood Schools Initiative) (the “2003A Bonds”) pursuant to the terms of the Indenture. On February 1, 2007, the Issuer issued \$31,865,000 of its Refunding Revenue Bonds, Series 2007A (Milwaukee Public Schools — Neighborhood Schools Initiative) (the “2007A Bonds”) pursuant to the terms of the Indenture for purposes of refunding certain maturities of the 2003A Bonds. In addition, the Issuer may issue additional bonds (“Additional Bonds”) pursuant to the terms of the Indenture. The 2002A Bonds, the 2003A Bonds, the 2007A Bonds, the 2013A Bonds and any Additional Bonds are referred to collectively herein as the “Bonds.” The Bonds will be secured as described below.

The 2002A Bonds and the 2003A Bonds were issued for the purpose of financing, in part, the Neighborhood Schools Plan described in **APPENDIX B**, which plan includes providing approximately 750,000 square feet of additional classroom capacity for schools operated by the Milwaukee Board of School Directors (“MPS”), and the related activities of MPS in the City of Milwaukee, Wisconsin (the “Program”). Several nonstock, nonprofit organizations are cooperating with MPS on individual projects under the Program.

Although the Act permits the issuance of up to \$170,000,000 of Bonds, the authorization of the Bonds by the Joint Committee on Finance of the State of Wisconsin (the “State”) limited to \$100,000,000 the amount of Bond proceeds that may be used to pay costs of the Program. Bond proceeds applied to certain costs associated with the Bonds (including but not limited to capitalized interest and issuance costs) are not subject to the limitation. Approximately \$98,486,000 of proceeds of the 2002A Bonds and the 2003A Bonds were made available to finance costs of the Program. MPS believes that the proceeds of the 2002A Bonds and the 2003A Bonds have adequately financed the Program. MPS and the Issuer have no current plans to issue Additional Bonds other than refunding bonds.

## **Purpose of the 2013A Bonds**

The Issuer will loan the proceeds of the 2013A Bonds to MPS pursuant to the terms of a Loan Agreement dated as of February 1, 2002 (as amended from time to time, including by the Third Supplemental Loan Agreement dated as of May 1, 2013, the "Loan Agreement"). The loan will be evidenced by a promissory note of MPS dated the Settlement Date (the "2013A Note") issued in the principal amount of the 2013A Bonds, maturing and paying interest so as to provide revenues sufficient to pay debt service when due on the 2013A Bonds. MPS will use the proceeds of the 2013A Bonds to provide for the current refunding of the remaining 2002A Bonds and the callable 2003A Bonds (the "Current Refunding"). See "**PLAN OF REFUNDING**" herein.

## **Source of Payment and Security for the Bonds**

**The Bonds are issued as special, limited obligations of the Issuer under and pursuant to the Act, payable solely as described herein, and shall never constitute debt or indebtedness of MPS, the City, the State or any subdivision thereof, or a charge against the general credit or taxing powers of any of them. The Issuer has no taxing powers.**

The Bonds are secured on an equal and ratable basis by the following: (1) all cash and securities held from time to time in the Trust Funds (other than the Rebate Fund, the Special Debt Service Reserve Fund and certain debt service reserve funds that may secure Additional Bonds not covered by a Moral Obligation Pledge) held by the Trustee, and the investment earnings thereon, and (2) all payments made by MPS on any notes issued under the Loan Agreement (collectively, the "Notes"). All Notes are payable solely from, and secured equally and ratably by, Intradistrict Aid (as defined herein) from the State. The Issuer pledges and assigns the Notes and certain of its rights under the Loan Agreement to the Trustee under the Indenture.

Subject to certain conditions, including the approval of the State's Secretary of Administration, Bonds may be secured by a moral obligation pledge of the State (as more fully described herein, the "Moral Obligation Pledge"). **The 2013A Bonds will not be secured by the Moral Obligation Pledge.** For additional information on the 2013A Bonds see "**SOURCE OF PAYMENT AND SECURITY FOR THE 2013A BONDS**" herein. The 2007A Bonds are secured by the Moral Obligation Pledge. Any Additional Bonds may or may not be secured by the Moral Obligation Pledge.

The Indenture establishes a Special Debt Service Reserve Fund only for the Bonds which are secured by the Moral Obligation Pledge, to be funded in an amount equal to the aggregate maximum annual debt service for all such Bonds (the "Special Debt Service Reserve Fund Requirement"). **The 2013A Bonds are not secured by the Special Debt Service Reserve Fund.** The Special Debt Service Reserve Fund Requirement for the 2007A Bonds equals \$11,097,600, which is funded by a surety bond (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac Assurance"). The parent company of Ambac Assurance has filed for Chapter 11 bankruptcy protection. See "**SOURCE OF PAYMENT AND SECURITY FOR THE 2007A BONDS – Special Debt Service Reserve Fund – Surety Bond**" herein. The Special Debt Service Reserve Fund is required to be replenished by MPS to an amount equal to the Special Debt Service Reserve Fund Requirement (solely from the Intradistrict Aid from the State). In addition, the State has issued its Moral Obligation Pledge to replenish the Special Debt Service Reserve Fund to an amount equal to the Special Debt Service Reserve Fund Requirement. See "**SOURCE OF PAYMENT AND SECURITY FOR THE 2007A BONDS – Special Debt Service Reserve Fund - Moral Obligation Pledge of the State of Wisconsin**" herein.

## **THE ISSUER**

The Issuer is a redevelopment authority created by the City of Milwaukee, Wisconsin (the "City") pursuant to the Act. The Issuer is authorized under the Act to issue refunding revenue bonds of the character of the 2013A Bonds to refund bonds previously issued to finance projects of the character of the Program. The Issuer's governing body adopted a resolution on June 21, 2012 authorizing the issuance and sale of the 2013A Bonds.

The Issuer makes no representation regarding the security for the 2013A Bonds or the suitability of the 2013A Bonds for investment. The Issuer undertakes no obligation to administer or monitor the Program.

## **MILWAUKEE PUBLIC SCHOOLS**

MPS was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS provides elementary, secondary, vocational and special education services for grades K through 12. MPS's boundaries are substantially coterminous with those of the City. MPS is effectively treated by Wisconsin Statutes as a City department authorized by law to adopt its own budget. The City is required to levy and collect property taxes to support the MPS budget. The City Treasurer, by Statute, disburses MPS funds at the direction of MPS. The City Comptroller, City Treasurer and City Attorney perform their functions for MPS as well as the City. MPS has directed the Department of Administration of the State to pay all Intradistrict Aid directly to the Trustee. See **APPENDIX A** for a more complete description of MPS.

### **SOURCE OF PAYMENT AND SECURITY FOR THE 2013A BONDS**

#### **General**

**The 2013A Bonds will be issued as special, limited obligations of the Issuer under and pursuant to the Act, payable solely as described herein, and shall never constitute debt or indebtedness of MPS, the City, the State or any subdivision thereof, or a charge against the general credit or taxing powers of any of them. The Issuer has no taxing powers.**

The 2013A Bonds will be secured on an equal and ratable basis under the Indenture by (1) all cash and securities held from time to time in the Trust Funds (other than the Rebate Fund, the Special Debt Service Reserve Fund and certain debt service reserve funds that may secure Additional Bonds not covered by the Moral Obligation Pledge) held by the Trustee, and the investment earnings thereon, and (2) all payments made by MPS on the Notes. The 2013A Note is payable solely from, and secured equally and ratably by, a pledge of all Intradistrict Aid from the State. The Trustee will deposit all Intradistrict Aid received by it into the Revenue Fund created by the Indenture. The moneys in the Revenue Fund shall first be for deposit into the Bond Fund—an amount which, when added to the amount then on deposit therein, is equal to all principal and interest scheduled to become due on the Bonds during the one-year period following such transfer. See **“THE 2013A BONDS - Flow of Funds”** herein.

The 2013A Bonds are not secured by the Moral Obligation Pledge and the Special Debt Service Reserve Fund.

#### **Intradistrict Aid**

MPS's obligations under the Notes, including the 2013A Note, and the Loan Agreement are payable solely from, and are equally and ratably secured by, a pledge of all Intradistrict Aid from the State. Intradistrict Aid is one of four main State General Aid programs. The other three main State General Aid programs are Interdistrict Aid, Equalization Aid and Special Adjustment Aid. Pursuant to Section 20.255(2)(ac) of the Wisconsin Statutes, certain funds are appropriated to Department of Public Instruction (“DPI”) to fund the State General Aid programs.

“Intradistrict Aid” is the intradistrict transfer aid paid to MPS pursuant to Section 121.85(6)(a), (am) and (ar) of the Wisconsin Statutes (as amended, the “Enabling Legislation”). Its original purpose was to provide funds for a transportation program, principally busing, designed to achieve better racial balance among the various school attendance areas within MPS. Intradistrict Aid is paid in respect of “transfer pupils” which are (i) those non-minority pupils who transfer from a non-minority attendance area (less than a 30% minority population) to a minority attendance area (30% or more minority population), and (ii) those minority pupils who transfer from a minority attendance area to a non-minority attendance area.

The amount of Intradistrict Aid is calculated by the State as of October 15<sup>th</sup> each fiscal year and paid once in the same fiscal year, currently on the third Monday in June. The statutory formula to determine the annual amount

of Intradistrict Aid involves the calculation of a “Base Amount” which is adjusted downward (the “Downward Adjustment”), if required, and then reduced by certain annual deductions relating to the State’s Milwaukee Parental Choice Program (“MPCP”) and charter school initiatives (“Charter School”) which are described below.

The table below presents the Intradistrict Aid from the State as calculated by DPI for the current school year and the last five school years:

<b>School Year ending June 30</b>	<b>Base Amount<sup>(1)</sup></b>	<b>Downward Adjustment</b>	<b>MPCP Deduction</b>	<b>Charter School Deduction</b>	<b>Plus or Minus October to Final Adjustment</b>	<b>Net Intradistrict Aid Received</b>
2013	\$ 36,172,122	\$ 0	\$ (4,219,638)	\$ (504,126)	\$ 668	\$ 31,449,026
2012	36,582,646	0	(3,992,476)	(469,069)	(345)	32,120,756
2011	40,317,827	0	(3,692,061)	(496,519)	483	36,129,730
2010	41,637,516	0	(3,778,524)	(444,717)	25,292	37,439,567
2009	42,105,654	0	(3,749,617)	(382,018)	(8,283)	37,965,736
2008	42,488,537	0	(3,453,924)	(400,280)	(9,089)	38,625,243

<sup>(1)</sup> For a particular school year, the greater of \$32,919,256 or the Base Amount (calculated as shown below).

Source: DPI General Aid Certifications

**Base Amount.** The Base Amount is calculated by multiplying the number of transfer pupils by 0.25 and multiplying that product by MPS’s current Equalization Aid (the State General Aid program for local school districts) per pupil. The Enabling Legislation further provided, in effect, that for so long as Bonds are outstanding, the Base Amount in any school year would not be less than the Base Amount for the 1998/1999 school year, namely \$32,919,256 (the “Minimum Base Amount”).

**Downward Adjustment.** The Downward Adjustment feature was added by the 1999 amendments to the Enabling Legislation. Its purpose was to create a financial incentive for MPS to transport pupils from one attendance area to another only with written parental consent. The Downward Adjustment reduces the Base Amount by excluding from the Base Amount calculation the number of transfer pupils whose parents have not submitted a written consent to the transfer. The adjustment was phased in gradually so that there would be no Downward Adjustment if the applicable percentage of parental consent was at least 75% in the 2000/2001 school year; 80% in 2001/2002; 90% in 2002/2003; and 95% in 2003/2004. For the 2004/2005 school year, there was a Downward Adjustment in respect of each transfer pupil whose transfer was without parental consent. Since the 2004/2005 school year, MPS has exceeded the required percentage of 95% of parental consent in each year, resulting in no Downward Adjustments since the 2004/2005 school year.

The central purpose of the 1999 amendments to the Enabling Legislation was to enable MPS to carry out neighborhood school programs of the type that MPS subsequently embodied in the Program described in **APPENDIX B**. The core concept was that the transportation savings that resulted from reduced reliance on busing could be used to enhance the quality of neighborhood schools. The Enabling Legislation empowered MPS to pledge its Intradistrict Aid to secure debt incurred to finance the Program and provided, in effect, that for so long as Bonds are outstanding, the Base Amount in any school year would not be less than the Minimum Base Amount. Although that Minimum Base Amount is subject to the possibility of Downward Adjustment, MPS intends to operate the Program in a manner such that there will be no material Downward Adjustments. The Minimum Base Amount is also subject to certain annual deductions for MPCP and Charter School which are described below.

**Milwaukee Parental Choice Program Deduction.** Pursuant to Section 121.08(4)(b) of the Wisconsin Statutes, a deduction from the Base Amount is taken for a certain amount of MPS’s proportionate share of the total choice funding obligation for the MPCP. The amount of State General Aid that MPS is eligible to be paid from appropriation under Section 20.255(2)(ac) of the Wisconsin Statutes is reduced by MPS’s proportionate share of the total choice funding obligation for MPCP. As such, a deduction for the funding of MPCP is taken from the MPS allocation of State General Aid. For purposes of calculating the final amount of State aid received by MPS in each of the four main State General Aid programs, including Intradistrict Aid, this deduction for MPCP is allocated proportionately among the four main State General Aid programs. For purposes of this Official Statement, the portion of the deduction for MPCP allocated to Intradistrict Aid is referred to as the “MPCP Deduction.”

The amount of the MPCP Deduction taken from the Intradistrict Aid is calculated by the DPI as follows:

<b>MPCP Statutory Deduction Formula:</b>	<b>FY13 Calculation As of October 15, 2012</b>
MPCP student enrollment	24,000
MPCP funding amount per pupil <sup>(1)</sup>	x \$ 6,442
100% of MPCP funding obligation	\$ 154,608,000
MPS percentage share of the MPCP funding obligation <sup>(2)</sup>	x 45.00%
MPS MPCP funding amount	\$ 69,573,600
Intradistrict Aid as percentage of MPS General Aid <sup>(3)</sup>	x 6.065%
MPCP Deduction from Base Amount of Intradistrict Aid	<u>\$ 4,219,638</u>

<sup>(1)</sup>Per pupil amount set by Sections 121.08 and 119.23(4)(bg) of the Wisconsin Statutes.

<sup>(2)</sup>MPS percentage share of the MPCP funding obligation per Section 121.08(4)(b)(1-3) of the Wisconsin Statutes.

<sup>(3)</sup>This is the component percentage of Intradistrict Aid within General Aid. (General Aid is the sum of Equalization Aid, Intradistrict Aid, Interdistrict Aid and Special Adjustment Aid);

**MPS State General Aid by Aid  
Component for FY13**

<u><b>Aid Component</b></u>	<u><b>Aid Amount</b></u>	<u><b>Component Percentage</b></u>
Equalization Aid	\$557,096,298	93.4086%
Intradistrict Aid	36,172,122	6.0650
Interdistrict Aid	3,139,295	0.5264
Special Adjustment Aid	<u>0</u>	<u>.0000</u>
Total (State General Aid)	<u>\$596,407,715</u>	<u>100.0000%</u>

Source: MPS

As presented above, the DPI formula for the calculation of the MPCP Deduction includes certain variables. Such variables are the MPCP student enrollment number, the MPCP funding amount per pupil, MPS percentage share of the MPCP funding obligation and the component percentage of Intradistrict Aid within General Aid. The MPCP student enrollment number is subject to change depending on the annual student enrollment in the MPCP. The MPCP funding amount per pupil and MPS percentage share of the MPCP funding obligation are based on current law and are each subject to change by the State Legislature. See “*Historical Coverage and Funding Variables*” below. The component percentage of Intradistrict Aid within General Aid may fluctuate depending on the amounts of the other General Aid components.

**Charter School Deduction.** Pursuant to Section 121.08(4)(a) of the Wisconsin Statutes, a deduction from the Base Amount is taken for a certain amount of MPS’s proportionate share of the amount attributable to charter schools established pursuant to Section 118.40(2r) of the Wisconsin Statutes (“2r Charter Schools”). The amount of State General Aid that MPS is eligible to be paid from appropriation under Section 20.255(2)(ac) of the Wisconsin Statutes is reduced by MPS’s proportionate share of the total funding for 2r Charter Schools. As such, a deduction for the funding of 2r Charter Schools is taken from the MPS allocation of State General Aid. For purposes of calculating the final amount of State aid received by MPS in each of the four main State General Aid programs, including Intradistrict Aid, this deduction for 2r Charter Schools is allocated proportionately among the four main State General Aid programs. For purposes of this Official Statement, the portion of the deduction for 2r Charter Schools allocated to Intradistrict Aid is referred to as the “Charter School Deduction”. To date, the amount of the Charter School Deduction from the Base Amount of Intradistrict Aid is significantly smaller than the MPCP Deduction. The following table presents a historical summary of the student enrollment and funding amount per pupil at 2r Charter Schools and Charter School Deduction amounts.

**2r Charter Schools Student Enrollment, Charter School Deduction from Intradistrict Aid and Funding Amount Per Pupil**

<u>School Year Ending June 30<sup>th</sup></u>	<u>2r Charter Schools Student Enrollment</u>	<u>Charter School Deduction</u>	<u>2r Charter Schools Funding Amount Per Pupil</u>
2013	7,600	\$ (504,126)	\$ 7,775
2012	6,900	(469,061)	7,775
2011	7,200	(496,523)	7,775
2010	6,200	(444,712)	7,775
2009	5,400	(382,018)	7,775
2008	5,600	(400,280)	7,669
2007	5,000	(387,537)	7,669
2006	4,550	(336,683)	7,519
2005	4,050	(272,572)	7,111
2004	3,600	(234,092)	7,050
2003	3,348	(210,989)	6,951
2002	2,093	(127,257)	6,721
2001	1,547	(92,333)	6,494

Source: Per DPI October 15, 2012 General Aid Certification for each year.

The DPI formula for the calculation of the Charter School Deduction includes variables similar to the MPCP Deduction formula as applied to 2r Charter Schools. The variables include the 2r Charter Schools student enrollment number, the 2r Charter Schools funding amount per pupil, the flat percent deduction applied to all public school districts (equal to the total estimated 2r Charter costs divided by total State General Aid) and the component percentage of Intradistrict Aid within General Aid. The 2r Charter Schools student enrollment number is subject to change depending on the annual student enrollment in the 2r Charter Schools. The 2r Charter Schools funding amount per pupil and flat percent deduction (applied to all public school districts) are based on current law and are each subject to change by the State Legislature. The component percentage of Intradistrict Aid within General Aid may fluctuate depending on the amounts of the other General Aid components.

**Payment Directly to Trustee.** Under the terms of the Loan Agreement and the February 14, 2002 Intercept Agreement by and among the Department of Administration of the State, the Department of Public Instruction, the Issuer and MPS, all of the Intradistrict Aid is pledged by MPS to the Trustee and is to be paid directly by the State to the Trustee. The Indenture requires the Trustee annually to determine the amount of Intradistrict Aid required to pay debt service on the Bonds and then to disburse the Intradistrict Aid as set forth in **“THE 2013A BONDS - Flow of Funds”** herein.

The following reflects the DPI formula for the calculation of the amount of Intradistrict Aid for the current school year (2012-2013) which will be payable to the Trustee for payment of debt service on the Bonds in fiscal year ending June 30, 2014:

Base Amount of Intradistrict Aid	\$ 36,172,122
MPCP Deduction	\$ (4,219,638)
Charter School Deduction	\$ (504,126)
Plus 2011-12 October to Final adjustment	\$ <u>668</u>
Equals Net Intradistrict Aid	\$ <u>31,449,026</u>

Source: DPI October 15, 2012 General Aid Certification

Maximum Annual Debt Service	\$ 11,097,600
Fiscal Year Ending June 30, 2014 Debt Service	\$ 8,105,067

Source: See "ANNUAL DEBT SERVICE REQUIREMENTS" herein.

The Intradistrict Aid calculated by DPI as of October 15, 2012 (\$31,449,026 as shown in table above) to be received by the Trustee in June, 2013 will cover the fiscal year ending June 30, 2014 debt service on both the 2007A Bonds and 2013A Bonds (total \$8,105,067) with a debt service coverage of 3.88x.

**Historical Coverage and Funding Variables.** Historically, the Base Amount less the MPCP Deduction and Charter School Deduction has covered maximum annual debt service on the 2002A Bonds, 2003A Bonds and 2007A Bonds. The following table reflects the annual debt service and debt service coverage for the last five years:

<b>Intradistrict Aid</b>	<b>Fiscal Year End (June 30)<sup>(1)</sup></b>	<b>Debt Service</b>				<b>Debt Service Coverage</b>
		<b>2002A Bonds</b>	<b>2003A Bonds</b>	<b>2007A Bonds</b>	<b>Total Bonds</b>	
\$ 38,617,043	2009	\$ 2,571,985	\$ 3,455,249	\$ 1,260,985	\$ 7,288,219	5.30x
37,990,812	2010	2,872,980	4,055,288	1,260,985	8,189,253	4.64
37,439,567	2011	2,898,610	4,107,081	1,260,985	8,266,676	4.53
36,129,730	2012	2,968,270	4,245,613	1,260,985	8,474,868	4.26
32,120,756	2013	3,045,400	4,399,119	1,260,985	8,705,504	3.69

<sup>(1)</sup> Annual receipt of Intradistrict Aid occurred in prior fiscal year.

The level of future coverage could be reduced if (a) Additional Bonds were to be issued; (b) the Enabling Legislation or other applicable legislation were to be amended; (c) there is a Downward Adjustment in any school year; or (d) the amount of the MPCP Deduction and/or Charter School Deduction increases based on certain variables including increases in: (i) the student enrollment number at MPCP and/or 2r Charter Schools, (ii) the funding amount per pupil in MPCP and/or 2r Charter Schools, (iii) the MPS share of the funding obligation for MPCP, (iv) the flat percent deduction for 2r Charter Schools, or (v) the component percentage of Intradistrict Aid within General Aid.

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The following table presents historical data on MPS and MPCP student enrollment and the MPCP funding amount per pupil:

**MPS and MPCP Student Enrollment and MPCP Funding Amount Per Pupil History  
FY2001-2013**

<u>Fiscal Year</u>	<u>MPS Student Enrollment</u> <sup>(1)</sup>	<u>Percent Change</u>	<u>MPCP Student Enrollment</u> <sup>(2)</sup>	<u>Percent Change</u>	<u>MPCP Funding Amount Per Pupil</u> <sup>(3)</sup>
2013	82,982	-1.71%	24,000	7.14 %	\$6,442
2012	84,422	-0.96	22,400	10.34	6,442
2011	85,239	-2.18	20,300	0.50	6,442
2010	87,137	-2.21	20,200	3.59	6,442
2009	89,110	-3.38	19,500	5.41	6,607
2008	92,224	-2.89	18,500	8.82	6,501
2007	94,973	-1.96	17,000	15.25	6,501
2006	96,874	-1.49	14,751	0.35	6,351
2005	98,338	-0.66	14,700	13.51	5,943
2004	98,987	-0.07	12,950	14.10	5,882
2003	99,054	-0.25	11,350	6.07	5,783
2002	99,302	-1.37	10,700	16.30	5,553
2001	100,682	na	9,200	na	5,326

<sup>(1)</sup> Per DPI Final General Aid Certifications for each year.

<sup>(2)</sup> Per DPI October 15th General Aid Certifications for each year.

<sup>(3)</sup> Per DPI for years 2011-2013 and per Wisconsin Legislative Fiscal Bureau informational paper #28, page 13, Milwaukee Parental Choice Program, dated January 2011.

The historical data on 2r Charter Schools enrollment and funding amount per pupil is provided above in “*Charter School Deduction.*”

As to the MPCP funding amount per pupil, on February 20, 2013, the Governor delivered his 2013-2015 biennial budget message and executive biennial budget bill which included a recommendation to increase State aid to kindergarten-through-eighth-grade schools participating in the State parental choice program (including MPCP) by increasing the funding amount per pupil in the 2014-2015 school year to \$7,050 per pupil from \$6,442, an increase of \$608 per pupil, or 9.4%. An increase in the MPCP funding amount per pupil would increase the MPCP Deduction from the Base Amount and result in a reduction in the net amount of Intradistrict Aid. The Issuer and MPS make no representations or predictions as to the final approved form of the budget bill.

The trends in certain enrollment and funding variables are presented for informational purposes only and are not intended to predict or project future enrollment or funding.

**There can be no assurance that the Enabling Legislation will not be amended or repealed in future years. Future legislation could have the direct or indirect effect of reducing or eliminating the net amount of Intradistrict Aid.**

**Debt Service Reserve Funds**

**Reserve Fund.** The Indenture establishes the Reserve Fund and requires that, upon the issuance of Additional Bonds, the Reserve Fund will be funded in an aggregate amount necessary such that the ratings assigned to all then Outstanding Bonds which are secured by the Moral Obligation Pledge will not be reduced, qualified or withdrawn. No funds will have been deposited in the Reserve Fund as of the date of issuance of the 2013A Bonds. The Debt Service Reserve Requirement for the 2013A Bonds is zero.

The Indenture defines the Debt Service Reserve Fund Requirement for all Bonds issued that are not secured by the Moral Obligation Pledge, as an amount specified in the Supplemental Indenture, provided that it is an amount sufficient to satisfy the Rating Agency Condition. The Rating Agency Condition is a written notice from the Rating Agency notifying the Issuer and the Trustee that the issuance of the 2013A Bonds will not result in a reduction, qualification or withdrawal of the then current rating of any of the Bonds outstanding under the Indenture.

***Special Debt Service Reserve Fund.*** The Indenture establishes a Special Debt Service Reserve Fund for all Bonds secured by the Moral Obligation Pledge. The 2013A Bonds are not secured by the Moral Obligation Pledge.

### **Additional Bonds**

The Issuer may issue Additional Bonds upon compliance with certain conditions pursuant to the Indenture. See **APPENDIX C** for a description of the conditions. Such Additional Bonds may be secured by the Special Debt Service Reserve Fund under certain circumstances (including a requirement that the State issue its moral obligation to fund deficiencies therein with respect to such Additional Bonds). Additional Bonds that are not secured by the Moral Obligation Pledge will not be secured by the Special Debt Service Reserve Fund but may be secured by the Reserve Fund.

Although the Act permits the issuance of up to \$170,000,000 of Bonds, the authorization of the Bonds by the Joint Committee on Finance of the State limited to \$100,000,000 the amount of Bond proceeds that may be used to finance costs of the Program. Certain costs are not subject to the limitation (including but not limited to capitalized interest and issuance costs). Approximately \$98,486,000 of Bond proceeds have been made available to finance costs of the Program. MPS and the Issuer have no current plans to issue Additional Bonds other than refunding bonds.

## **SOURCE OF PAYMENT AND SECURITY FOR THE 2007A BONDS**

### **General**

The 2007A Bonds are secured on an equal and ratable basis under the Indenture by (1) all cash and securities held from time to time in the Trust Funds (other than the Rebate Fund and certain debt service reserve funds that may secure Additional Bonds not covered by the Moral Obligation Pledge) held by the Trustee, and the investment earnings thereon, and (2) all payments made by MPS on the Notes. See **“SOURCE OF PAYMENT AND SECURITY FOR THE 2013A BONDS — Intradistrict Aid”** above.

In addition, only the 2007A Bonds are secured on an equal and ratable basis by the Special Debt Service Reserve Fund held by the Trustee. MPS is required to fund any deficiency in the Special Debt Service Reserve Fund to the extent Intradistrict Aid is available for such purpose. In addition, the State has issued its Moral Obligation Pledge to fund any deficiency in the Special Debt Service Reserve Fund. See **“Special Debt Service Reserve Fund”** and **“— Moral Obligation Pledge of the State of Wisconsin”** below.

### **Special Debt Service Reserve Fund**

The Special Debt Service Reserve Fund must be funded in an amount equal to the aggregate maximum annual debt service for all Bonds secured by the Moral Obligation Pledge (including the 2007A Bonds) (the “Special Debt Service Reserve Fund Requirement”). The 2013A Bonds are not secured by the Moral Obligation Pledge. The Special Debt Service Reserve Fund Requirement for the 2007A Bonds equals \$11,097,600, which is funded by the Surety Bond issued by Ambac Assurance. See **“Special Debt Service Reserve Fund — Surety Bond”** below.

The Special Debt Service Reserve Fund is required to be replenished by MPS to an amount equal to the Special Debt Service Reserve Fund Requirement solely from the Intradistrict Aid from the State. In addition, the State has issued its Moral Obligation Pledge to replenish the Special Debt Service Reserve Fund to an amount equal

to the Special Debt Service Reserve Requirement. See “**Special Debt Service Reserve Fund — Moral Obligation Pledge of the State of Wisconsin**” below.

Funds from the Special Debt Service Reserve Fund will be used to make up deficiencies in the Bond Fund but only as they relate to the 2007A Bonds. The Trustee is required to transfer sufficient funds from the Special Debt Service Reserve Fund to the Bond Fund if on any day on which the principal of or interest on the 2007A Bonds becomes due the moneys in the Bond Fund are insufficient for making such payment. The Trustee is required, on the second business day of each month, to compare the Special Debt Service Reserve Fund Requirement and the balance in the Special Debt Service Reserve Fund. If on any such date, the balance in the Special Debt Service Reserve Fund is below the Special Debt Service Reserve Fund Requirement, the Trustee is required, within two Business Days, to notify the Issuer in writing of such deficiency and, upon receipt thereof, the Issuer is required to forthwith certify to the Secretary of Administration, the Governor and the Joint Committee on Finance of the State the amount necessary to restore the balance in the Special Debt Service Reserve Fund to the Special Debt Service Reserve Fund Requirement.

**Surety Bond.** The Special Debt Service Reserve Fund for the 2002A Bonds, the 2003A Bonds and the 2007A Bonds is funded by an irrevocable Surety Bond issued by Ambac Assurance. Upon the issuance of the 2013A Bonds, the 2002A Bonds and 2003A Bonds will be refunded and only the 2007A Bonds will remain secured by the Special Debt Service Reserve Fund funded by the Surety Bond. The Surety Bond provides that upon the later of (i) one day after receipt by Ambac Assurance of a demand executed by the Trustee certifying that provision for the payment of principal of or interest on the 2007A Bonds when due has not been made, or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments, but in no event shall the amount deposited exceed the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment by Ambac Assurance under the terms of the Surety Bond and the Issuer is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a rate of 2% over the prime rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Issuer is subordinate to the Issuer’s obligations with respect to the Bonds.

In the event the amount on deposit or credited to the Special Debt Service Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Special Debt Service Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Special Debt Service Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Special Debt Service Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from the Revenue Fund in the order of priority provided in “**THE 2013A BONDS — Flow of Funds**” herein and; (ii) after all such amounts are paid in full, amounts necessary to fund the Special Debt Service Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and any Additional Funding Instrument shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

On November 8, 2010, the parent company of Ambac Assurance filed for Chapter 11 bankruptcy protection. On March 12, 2013, the Issuer requested updated disclosure information from Ambac Assurance; however, Ambac Assurance informed the Issuer that Ambac Assurance is not currently providing any disclosure language or any information on the status of its filing. No information is provided in this Official Statement about any credit rating assigned to the obligations of Ambac Assurance, nor can any representation or assurance be made about Ambac Assurance’s claims paying ability or the Issuer’s ability to draw on the Surety Bond.

***Moral Obligation Pledge of the State of Wisconsin.*** The State has pledged its moral obligation to replenish the Special Debt Service Reserve Fund in an amount necessary to restore the Special Debt Service Reserve Fund to the Special Debt Service Reserve Fund Requirement. Section (5r)(j) of the Act defines the Moral Obligation Pledge as follows:

If at any time of valuation the special debt service reserve fund requirement under par. (h) for a special debt service reserve fund exceeds the amount of moneys in the special debt service reserve fund, the authority shall certify to the secretary of administration, the governor and the joint committee on finance the amount necessary to restore the special debt service reserve fund to an amount equal to the special debt service reserve fund requirement under par. (h) for the special debt service reserve fund. If this certification is received by the secretary of administration in an even-numbered year prior to the completion of the budget compilation under s. 16.43, the secretary shall include the certified amount in the budget compilation. In any case, the joint committee on finance shall introduce in either house, in bill form, an appropriation of the amount so certified to the appropriate special debt service reserve fund of the authority. Recognizing its moral obligation to do so, the legislature hereby expresses its expectation and aspiration that, if ever called upon to do so, it shall make this appropriation. This paragraph applies only to bonds issued under, and in compliance with, this subsection.

## **THE 2013A BONDS**

### **Maturities and Interest Rates**

The 2013A Bonds will mature on the dates and in the amounts shown on the inside front cover, but will be subject to optional redemption as described below under **“Redemption of 2013A Bonds Prior to Maturity.”** The 2013A Bonds will be issued only as fully registered bonds without coupons in the denominations of \$5,000 or any multiples of \$5,000 within any maturity.

The 2013A Bonds will bear interest at the rates shown on the inside front cover. Interest is payable semi-annually on the first day of each February and August, commencing August 1, 2013, and as to particular 2013A Bonds, on the redemption date thereof. Interest will be calculated on the basis of a 360-day year made up of twelve 30-day months.

### **Flow of Funds**

The Trustee will deposit all Intradistrict Aid when and as received into the Revenue Fund created by the Indenture. The Trustee is required to transfer and apply the moneys in the Revenue Fund in the following order of priority:

1. For deposit into the Bond Fund—an amount which, when added to the amount then on deposit therein, is equal to all principal and interest scheduled to become due on the Bonds during the one-year period following such transfer;
2. For payment ratably to the issuers of any Debt Service Reserve Fund Sureties—the amounts necessary to reimburse them (with interest to the extent provided for) for draws on the Debt Service Reserve Fund Sureties;
3. For deposit into the Reserve Fund—an amount equal to the amount of any deficiency therein at the time of such transfer;
4. For deposit into the Special Debt Service Reserve Fund—an amount equal to the amount of any deficiency therein at the time of such transfer;

5. For payment to the State—the amount necessary to reimburse the State (with interest to the extent provided for) for any payments made by the State pursuant to the Moral Obligation Pledge;

6. For deposit into the Administrative Fund—the amount certified in a certificate signed by MPS and filed with the Trustee as necessary to pay Administrative Expenses during the one-year period following the date of such transfer;

7. For deposit into the Redemption Fund—the amount certified in a certificate signed by MPS and filed with the Trustee as necessary to make any optional redemption payments of Bonds during the one-year period following the date of such transfer; and

8. For payment to MPS—an amount equal to the entire remaining balance in the Revenue Fund.

See “**SOURCE OF PAYMENT AND SECURITY FOR THE 2013A BONDS — Intradistrict Aid**” herein for a description of how the Intradistrict Aid is paid annually.

### **Redemption of 2013A Bonds Prior to Maturity**

The 2013A Bonds are not subject to mandatory and optional redemptions prior to maturity except as described below:

***Mandatory Redemption.*** The 2013A Bonds are not subject to mandatory redemption.

***Optional Redemption Upon Determination of Taxability.*** The 2013A Bonds shall be subject to redemption, at the option of MPS, in whole or in part (in multiples of \$5,000), following the date on which a Determination of Taxability (as defined in **APPENDIX C** hereto) occurs. The Redemption Price shall be 100% of the principal amount of the 2013A Bonds so redeemed, plus accrued interest to the Redemption Date, without premium. The 2013A Bonds are not subject to mandatory redemption in the event a Determination of Taxability occurs. If less than all Outstanding 2013A Bonds are to be so redeemed, the aggregate principal amount available for redemption will be allocated among the various maturities of Outstanding 2013A Bonds in the proportions (as nearly as practicable given the minimum authorized denomination) that the principal amount of Outstanding 2013A Bonds of each particular maturity bears to the aggregate principal amount of all Outstanding 2013A Bonds. If less than all Outstanding 2013A Bonds of a particular maturity are to be so redeemed, the particular 2013A Bonds or portions thereof of such maturity to be redeemed will be selected by the Trustee by lot or by such other random means as determined by MPS.

***Purchase and Cancellation of 2013A Bonds.*** MPS shall have the right to purchase any outstanding 2013A Bond and deliver it to the Trustee for cancellation. Also, the Trustee may purchase any outstanding 2013A Bond for cancellation in accordance with the provisions of the Indenture pertaining to discharge. Any such purchase and cancellation of a 2013A Bond will ipso facto reduce the unpaid principal balance of the 2013A Note on the date of such cancellation by an amount equal to the unpaid principal amount of such purchased 2013A Bond.

### **Notice of Redemption; Selection of 2013A Bonds for Partial Redemptions**

If any 2013A Bonds are to be redeemed, notice of their call shall be given by mailing of a redemption notice by first-class mail at least 30 days but not more than 60 days prior to the date fixed for redemption to the Owner of each of the 2013A Bonds to be redeemed. Such redemption notice shall: (1) identify the 2013A Bonds or portions to be redeemed by name (including series designation), CUSIP number, date of issue, interest rate and maturity date and, if only a portion of the 2013A Bonds are to be redeemed, the certificate numbers and the respective principal amounts to be redeemed, (2) identify the Redemption Date, (3) state the Redemption Price, (4) state that the interest on the 2013A Bonds or the portions thereof called for redemption will cease to accrue from and after the Redemption Date if funds sufficient for their redemption and available for the purpose are on deposit with the Trustee on the Redemption Date, and (5) state that payment for the 2013A Bonds will be made on the Redemption Date at the principal trust office of the Trustee during normal business hours upon the surrender of the 2013A Bonds to be redeemed. Such redemption notice shall be sent to the address shown on the Bond Register; provided, however, that failure to give any

such notice as aforesaid or any defect therein with respect to any particular 2013A Bond shall not affect the validity of any proceedings for the redemption of any other 2013A Bond. On and after the Redemption Date specified in the notice, unless there is a default in payment of the Redemption Price, the 2013A Bonds, or portions thereof, thus called shall not bear interest, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture and the Owners thereof shall have the right only to receive the Redemption Price thereof plus accrued interest thereon to the date fixed for redemption.

While the 2013A Bonds are in the book-entry-only system, DTC, as the Owner, will receive the redemption notice referred to above. The Issuer, MPS and the Trustee are not responsible for DTC providing notice of the redemption of the 2013A Bonds to Direct Participants, Indirect Participants and Beneficial Owners (each as hereinafter defined), and in the case of a partial redemption, are not responsible for the allocation of the 2013A Bonds to be redeemed among the Direct Participants, Indirect Participants and Beneficial Owners. See **“BOOK-ENTRY-ONLY SYSTEM”** herein.

### **Certain Covenants of MPS**

In the Loan Agreement, MPS represents that it is eligible for Intradistrict Aid and it knows of no facts that would disqualify it from receiving Intradistrict Aid.

It is intended that the interest on the Series 2013A Bonds be excluded from gross income for Federal income taxation purposes pursuant to Section 103(a) of the Internal Revenue Code. MPS agrees in the Loan Agreement that it will take no action which would (and will omit no action the omission of which would) cause an Event of Taxability.

### **Events of Default**

**Indenture.** If any of the following events occur, it is defined as and declared to be and to constitute an Event of Default under the Indenture:

- (a) Default in the due and punctual payment of the principal or purchase price of, premium, if any, or interest on any Bond whether at the Stated Maturity thereof, at the date fixed for prepayment thereof (including, but not limited to, Sinking Fund Payment Dates) or otherwise upon the maturity thereof; or
- (b) The acceleration of the maturity of any Notes pursuant to the terms of the Loan Agreement; or
- (c) Default in the performance or observance of any of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds contained and the continuance thereof for a period of 60 days after written notice given to the Issuer by the Trustee or to the Trustee and the Issuer by the Acting Beneficiaries Upon Default (as defined in **APPENDIX C** hereto).

**Loan Agreement.** If any one or more of the following events occur, it is defined as and declared to be and to constitute an Event of Default under the Loan Agreement:

- (a) Default in the due and punctual payment of any installment of principal or of any payment of interest or premium on any Note;
- (b) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of MPS in the Loan Agreement contained and the continuance thereof for a period of 30 days after receipt by the Borrower of written notice (from the Issuer, the Trustee or the Owners of at least 10% in aggregate principal amount of the Bonds at the time Outstanding) specifying such default and requesting that it be cured; provided, however, that if the default is capable of being cured, but not within such 30 day period, such default shall

not become an Event of Default if MPS institutes reasonable corrective action within such period and pursues such action diligently until such default is cured; or

- (c) An “event of default” (as defined therein) shall have occurred under the Indenture.

## **Acceleration**

### ***Indenture.***

(a) Upon the occurrence of an Event of Default set forth in paragraph (c) above in “**Events of Default – Indenture,**” the Trustee may, with the written consent of any related Credit Facility Provider, and will upon the written request of the Acting Beneficiaries Upon Default, by notice in writing delivered to the Issuer and MPS, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable.

(b) Upon the occurrence of an Event of Default set forth in paragraph (b) above in “**Events of Default – Indenture,**” or upon the continuance for two Business Days of the Event of Default set forth in paragraph (a) above in **Events of Default – Indenture,** the Trustee will, by notice in writing delivered to the Issuer, the Other Beneficiaries and MPS, declare the principal of all Bonds then Outstanding and the accrued interest thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable.

(c) Upon the occurrence of an Event of Default set forth in paragraph (a) above in “**Events of Default – Indenture,**” and without regard to the continuance thereof, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default will, by notice in writing delivered to the Issuer, the Other Beneficiaries and MPS, declare the principal of all Bonds then outstanding and the accrued interest thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable.

(d) Upon the acceleration of the maturities of Variable Rate Bonds, the Trustee will forthwith demand payment from any related Credit Facility Provider for the payment under the related Credit Enhancement Facility pursuant to the terms thereof in an amount sufficient to pay the principal of and interest on such Variable Rate Bonds (other than Pledged Bonds, as defined in the Supplemental Indenture providing for the issuance of such series of Variable Rate Bonds) to the expected payment date.

***Loan Agreement.*** If an Event of Default shall occur under the Loan Agreement, the Trustee (or the Issuer with the consent of the Trustee) may, by written notice to the MPS, declare the entire outstanding principal balance of the Notes together with all interest accrued thereon (to the date of such acceleration) to be immediately due and payable; and such principal and interest shall thereupon become and be immediately due and payable.

## **Remedies**

***Indenture.*** Upon the occurrence of an Event of Default, the Trustee (with the written consent of any related Credit Facility Provider in the case of Variable Rate Bonds) may, in addition to acceleration as described above, pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds or on any Note.

The Trustee, as beneficiary of any Credit Enhancement Facility, will enforce such of its rights thereunder as it deems necessary or appropriate. The Trustee, as an assignee of rights and interests of the Issuer in and to the Loan Agreement and the Notes, with the consent of the Other Beneficiaries in the case of rights under the Variable Rate Bonds, will enforce such of its rights and the rights of the Issuer thereunder as it deems necessary or

appropriate. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee will take such action as, in the judgment of the Trustee applying the standards described in the Indenture, would best serve the interests of the Bondowners.

If an Event of Default has occurred, and if requested so to do by the Acting Beneficiaries Upon Default and if indemnified as provided in the Indenture, the Trustee will be obliged to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by Counsel, deems most expedient in the interest of the Bondowners, subject to the rights of the Other Beneficiaries.

Notwithstanding any other provisions of the Indenture relating to defaults and remedies, if an “Event of Default” (as defined therein) occurs under any Credit Enhancement Facility or any Remarketing Agreement, and, as a result, the Other Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Beneficiary may exercise such remedies, including, without limitation, the termination of such agreement, as provided therein, in its own discretion; provided that the exercise of any such remedy will not adversely affect the legal ability of the Trustee or Acting Beneficiaries Upon Default to exercise any remedy available thereunder.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Beneficiaries) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Beneficiaries thereunder or now or thereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee pursuant to the provisions of the Indenture or by the Bondowners, will extend to or will affect any subsequent default or event of default or will impair any rights or remedies consequent thereon.

***Loan Agreement.*** If an Event of Default shall occur, the Issuer or the Trustee may pursue any available remedy at law or in equity to realize the payment of the principal of, premium, if any, and interest on the Notes.

Any amounts collected pursuant to action taken under this section shall be paid to the Trustee and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), shall be paid to MPS.

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## SOURCES AND USES OF FUNDS

Set forth below is a summary of the sources and uses of funds related to the 2013A Bonds:

### Sources of Funds:

Principal Amount of the 2013A Bonds	\$45,570,000.00
Original Issue Premium	6,627,903.20
Issuer Contribution	<u>868,971.13</u>
Total Sources of Funds	\$53,066,874.33

### Uses of Funds:

Escrow Deposit	\$52,693,971.13
Issuance Expenses <sup>(1)</sup>	366,080.27
Rounding Amount <sup>(2)</sup>	<u>6,822.93</u>
Total Uses of Funds	\$53,066,874.33

<sup>(1)</sup> Includes underwriters' discount, legal, consulting, printing and other costs of issuing the 2013A Bonds.

<sup>(2)</sup> Rounding Amount, if any excess, to be deposited into the Bond Fund for the 2013A Bonds.

## REFUNDING

MPS will use the proceeds of the 2013A Bonds (a) for the Current Refunding of the August 1, 2013 through August 1, 2021 maturities of the 2002A Bonds and the August 1, 2014 through August 1, 2019 maturities of the 2003A Bonds (collectively, the "Current Refunded Bonds"); and (b) to pay various costs of issuing and selling the 2013A Bonds.

A portion of the 2013A Bond proceeds will be deposited into an Escrow Account created pursuant to an Escrow Agreement, dated May 1, 2013 (the "Escrow Agreement"), by and among the Issuer, MPS and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"). Monies in the Escrow Account will be used to acquire certain direct obligations of the United States Treasury ("Government Obligations"). The principal of and interest on the Government Obligations, together with any beginning cash balance held in the Escrow Account, will be sufficient to pay the regularly scheduled principal of and interest on the Current Refunded Bonds to the redemption date.

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The Current Refunded Bonds are identified in the table set forth below.

**Outstanding 2002A Bonds and 2003A Bonds  
Refunded by the 2013A Bonds**

<u>Series Bond</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>CUSIP<sup>(a)</sup></u>
2002A	08/01/2013	\$ 1,985,000	4.350%	05/10/2013	60242NBC4
	08/01/2014	2,150,000	4.450	05/10/2013	60242NBD2
	08/01/2015	2,325,000	4.550	05/10/2013	60242NBE0
	08/01/2016	2,515,000	4.650	05/10/2013	60242NBF7
	08/01/2017	2,720,000	4.750	05/10/2013	60242NBG5
	08/01/2021	<u>13,190,000</u>	4.875	05/10/2013	60242NBL4
		\$24,885,000			
2003A	08/01/2014	\$ 3,670,000	3.800%	08/01/2013	60242NCL3
	08/01/2015	3,975,000	3.900	08/01/2013	60242NCM1
	08/01/2016	4,290,000	4.000	08/01/2013	60242NCN9
	08/01/2017	4,630,000	4.100	08/01/2013	60242NCP4
	08/01/2018	4,995,000	4.125	08/01/2013	60242NCQ2
	08/01/2019	<u>5,380,000</u>	4.250	08/01/2013	60242NCR0
		\$26,940,000			
		\$51,825,000			

<sup>(a)</sup> The CUSIP number for each refunded bond has been obtained from a source the Issuer and MPS believes to be reliable, but the Issuer and MPS are not responsible for the correctness of the CUSIP numbers.

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## ANNUAL DEBT SERVICE REQUIREMENTS

Set forth below is a summary of the debt service on the 2003A, 2007A Bonds and the 2013A Bonds:

<b>Debt Service</b>				
Fiscal Year End (June 30)	<u>2003A Bonds</u>	<u>2007A Bonds</u>	<u>2013A Bonds</u>	<u>Total Bonds</u>
2014	\$ 4,320,839	\$ 1,260,985	\$ 2,523,243*	\$ 8,105,067*
2015	--	1,260,985	7,061,350	8,322,335
2016	--	1,260,985	7,293,400	8,554,385
2017	--	1,260,985	7,522,200	8,783,185
2018	--	1,260,985	7,758,750	9,019,735
2019	--	1,260,985	8,007,500	9,268,485
2020	--	1,260,985	8,256,000	9,516,985
2021	--	6,449,153	3,345,000	9,794,153
2022	--	6,626,560	3,433,750	10,060,310
2023	--	10,650,500	--	10,650,500
2024	--	11,097,600	--	11,097,600
<b>Totals</b>	<b>\$ 4,320,839</b>	<b>\$ 43,650,708</b>	<b>\$ 55,201,193</b>	<b>\$ 103,172,740</b>

\*Rounded amounts.

## INVESTMENT CONSIDERATIONS

### General

The 2013A Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the 2013A Bonds, and confer with their own legal and financial advisors before considering a purchase of the 2013A Bonds. Attention should be given to the investment considerations or risk factors described below, which, among others, could affect the payment of and security for all Bonds outstanding under the Indenture, including the 2013A Bonds, and which could also affect the marketability of or the market price for the 2013A Bonds.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders' risks set forth throughout this Official Statement, and should specifically consider certain risks associated with the 2013A Bonds. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. This discussion does not necessarily reflect the relative importance of the various risks. Each prospective purchaser of any 2013A Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Series 2013A Bonds.

### Limited Obligations

The 2013A Bonds are special, limited obligations of the Issuer, payable solely from the pledge of Intradistrict Aid from the State. The 2013A Bonds do not constitute a debt or liability of the MPS, the City, the State or any subdivision thereof, or a charge against the general credit or taxing powers of any of them. The Issuer has no taxing power. The amount of the annual payment of Intradistrict Aid from the State is not guaranteed.

## **Future Legislation**

The Enabling Legislation empowered MPS to pledge the Intradistrict Aid to secure debt incurred to finance the Program. There can be no assurance that the Enabling Legislation will not be amended or repealed in future years. Future legislation could have the direct or indirect effect of reducing or eliminating the amount of Intradistrict Aid.

## **Considerations Relating to the Computation of Intradistrict Aid**

The annual computation of the amount of Intradistrict Aid pursuant to the DPI formula may be affected by certain variables. The Minimum Base Amount is subject to the possibility of a Downward Adjustment (none have occurred except in the 2004/2005 school year). The Minimum Base Amount is subject to certain annual deductions for MPCP and Charter School. While the Base Amount in any school year may not be less than the \$32,919,256 (Minimum Base Amount), the annual deductions from the Base Amount will increase if the number of students enrolled in the MPCP or 2r Charter Schools' increases and/or the component percentage of Intradistrict Aid within General Aid increases. The amount of the annual MPCP Deduction and Charter School Deduction would also increase with a legislative increase in (a) the funding amount per pupil in MPCP and 2r Charter Schools, respectively; (b) the MPS share of the funding obligation for MPCP; or (c) the flat percent deduction for 2r Charter Schools. The increase in one or more of these variables will result in a reduction in the net amount of Intradistrict Aid. See "**SOURCE OF PAYMENT AND SECURITY FOR THE 2013A BONDS – Intradistrict Aid**" herein.

On February 20, 2013, the Governor delivered his 2013-2015 biennial budget message and executive biennial budget bill which included a recommendation to increase State aid to kindergarten-through-eighth-grade schools participating in the State parental choice program (including MPCP) by increasing the funding amount per pupil in the 2014-2015 school year to \$7,050 per pupil from \$6,442, an increase of \$608 per pupil, or 9.4%. An increase in the MPCP funding amount per pupil would increase the MPCP Deduction from the Base Amount and result in a reduction in the net amount of Intradistrict Aid. The Issuer and MPS make no representations or predictions as to the final approved form of the budget bill.

## **Reserve Fund**

Although a Reserve Fund exists under the Indenture, no funds will have been deposited in the Reserve Fund as of the date of issuance of the 2013A Bonds and the Debt Service Reserve Requirement for the 2013A Bonds is zero. The Indenture requires that, upon the issuance of Additional Bonds, the Reserve Fund will be funded in an aggregate amount necessary such that the ratings assigned to all then Outstanding Bonds which are secured by the Moral Obligation Pledge will not be reduced, qualified or withdrawn. As such, the Indenture defines the Debt Service Reserve Fund Requirement for all Bonds issued that are not secured by a Moral Obligation Pledge, as an amount specified in the Supplemental Indenture, provided that it is an amount sufficient to satisfy the Rating Agency Condition. The Rating Agency Condition is a written notice from Moody's Investors Service, Inc. ("Moody's") notifying the Issuer and the Trustee that the issuance of the 2013A Bonds will not result in a reduction, qualification or withdrawal of the then current rating of any of the Bonds outstanding under the Indenture.

## **No Moral Obligation Pledge for 2013A Bonds**

The 2013A Bonds are not secured by the Moral Obligation Pledge or a Special Debt Service Reserve Fund. The Indenture establishes the Special Debt Service Reserve Fund for all Bonds secured by the Moral Obligation Pledge. The 2007A Bonds are secured by the Special Debt Service Reserve Fund which must be funded in an amount equal to the Special Debt Service Reserve Fund Requirement. The Special Debt Service Reserve Fund must be replenished by MPS solely from Intradistrict Aid and the State has pledged its moral obligation to replenish such fund in additional amounts necessary to restore such fund to the Special Debt Service Reserve Fund Requirement.

## **Special Debt Service Reserve Fund/Surety Bond**

The 2007A Bonds are secured by the Special Debt Service Reserve Fund which is funded by the Surety Bond issued by Ambac Assurance. The parent company of Ambac Assurance has filed for Chapter 11 bankruptcy

protection. See “**SOURCE OF PAYMENT AND SECURITY FOR THE 2007A BONDS – Special Debt Service Reserve Fund – Surety Bond**” herein. No representations or assurances are made about Ambac Assurance’s ability to pay claims or the Issuer’s ability to draw on the Surety Bond. The 2013A Bonds are not secured by the Special Debt Service Reserve Fund.

### **Rating**

There is no assurance that the rating assigned to the 2013A Bonds at the time of issuance (see “**RATING**”) will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the 2013A Bonds.

### **Secondary Market Prices**

No assurance can be given that a secondary market for any of the 2013A Bonds will be available and no assurance can be given that the initial offering prices for the 2013A Bonds will continue for any period of time.

The 2013A Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the 2013A Bonds in the event an owner thereof determines to solicit purchasers of the 2013A Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the 2013A Bonds may be sold. Such price may be lower than that paid by the current owner of the 2013A Bonds, depending on existing market conditions and other factors.

## **LITIGATION**

MPS and its directors, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. MPS does carry Commercial General Liability Insurance, Umbrella General Liability Insurance and School Teachers Error and Omissions Insurance. Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officer, officials or employees for acts performed in their official capacity to \$50,000 in tort liability of non-automobile cases and \$250,000 in automobile cases.

The City Attorney’s Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. As of the date hereof, there are no pending or threatened litigation matters, claims or assessments which individually represent a maximum potential loss exposure in excess of \$1 million.

## **LEGAL MATTERS**

All legal matters incidental to the authorization and issuance of the 2013A Bonds by the Issuer are subject to the approval of Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel, whose approving opinion will be delivered at the time of issuance of the 2013A Bonds. Certain matters will be passed upon for the Issuer and MPS by the Office of the City Attorney, and for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP.

## **TAX EXEMPTION**

Katten Muchin Rosenman LLP and Hurtado, S.C. are Co-Bond Counsel and are expected to deliver an opinion in substantially the form set forth in **APPENDIX D**.

### **Summary of Co-Bond Counsel Opinion**

Katten Muchin Rosenman LLP, and Hurtado, S.C., Co-Bond Counsel, are of the opinion that under existing law, interest on the 2013A 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”), Co-Bond Counsel are of the opinion that interest on the 2013A Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Co-Bond Counsel are further of the opinion that the Bonds are “qualified 501(c)(3) bonds” within the meaning of Section 145(a) of the Code. Accordingly, interest on the 2013A Bonds is not an item of tax preference for purposes of computing individual or

corporate alternative minimum taxable income. However, interest on the 2013A Bonds is includable in earnings and profits of corporations and therefore must be taken into account when computing, for example, 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 of issuance of the 2013A Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the 2013A Bonds. These requirements relate to the use and investment of the proceeds of the 2013A Bonds, the payment of certain amounts to the United States, and the ownership and use of the property financed with the proceeds of the 2013A Bonds. The Issuer will covenant in the Fourth Supplemental Indenture to comply with these requirements. In addition, the Issuer and MPS will covenant in the Tax Compliance Agreement (the "Tax Agreement"), among the Issuer, MPS and the Trustee to comply with these requirements.

Co-Bond Counsel are further of the opinion that pursuant to Section 66.1333 of the Wisconsin Statutes, as amended, the 2013A Bonds, together with interest thereon and income therefrom, are exempt from present Wisconsin income taxes. However, interest on and income from the 2013A Bonds are includable in the measure of tax for Wisconsin corporate franchise tax purposes.

In rendering their opinion, Co-Bond Counsel will rely upon representations and covenants contained in the Tax Agreement with respect to certain facts that are solely within the Issuer's and MPS' knowledge relating to, among other things, the nature and uses of the property financed or refinanced with the proceeds of the 2013A Bonds; certificates of HR Academy, Inc., Boys & Girls Clubs of Greater Milwaukee, Inc. and Career Youth Development, Inc. (the "501(c)(3) Organizations") with respect to the status of the 501(c)(3) Organizations as 501(c)(3) organizations under the Code; and the certificates of the 501(c)(3) Organizations containing representations and covenants with respect to the 501(c)(3) Organizations and the use and ownership of property financed with proceeds of the 2013A Bonds.

#### **2013A Bonds Issued at a Premium or at a Discount**

The difference (if any) between the initial price at which a substantial amount of each maturity of the 2013A Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such 2013A Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a 2013A Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a 2013A Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a 2013A Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the income tax regulations. The amount of bond premium accruing during each period is subtracted from the owner's tax basis in the 2013A Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such 2013A Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the 2013A Bond. A 2013A Bond's adjusted tax basis is used to determine whether and to what extent the owner realizes taxable gain or loss upon the disposition of the 2013A Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the 2013A Bond).

Owners who purchase 2013A Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the 2013A Bonds. In addition, owners of 2013A Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the 2013A Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

## **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 2013A Bonds. Among these requirements are the following:

*Restrictions on Ownership and Use.* The Code requires that any property financed with the proceeds of the 2013A Bonds be owned by a 501(c)(3) organization or by a governmental unit. In addition, the Code generally requires that property financed or refinanced with the proceeds of the 2013A Bonds be used by a 501(c)(3) organization in an activity that is integrally related to its exempt purposes.

*Investment Restrictions.* Except during certain “temporary periods,” proceeds of the 2013A 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” than the yield of the 2013A Bonds.

*Rebate of Permissible Arbitrage Profit.* Unless the Issuer qualifies for one of several exemptions, earnings from the investment of the “gross proceeds” of the 2013A 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 2013A 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 2013A Bonds and amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the 2013A Bonds.

## **Risks of Non-Compliance**

In the event that the Issuer or MPS fails to comply with the requirements of the Code, interest on the 2013A Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issuance. In such event, the 2013A Bond Indenture does not require the payment of any additional interest or penalties to the owners of the 2013A Bonds.

## **Other Federal Income Tax Consequences**

Pursuant to Section 103 of the Code, interest on the 2013A 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 2013A 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 PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE 2013A BONDS.

*Cost of Carry.* Owners of the 2013A Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the 2013A Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by references to their adjusted basis in the 2013A Bonds.

*Corporate Owners.* Interest on the 2013A Bonds is generally taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the 2013A Bonds is taken into account in computing not only 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 2013A 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 2013A 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 2013A Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

*Foreign Personal Holding Company Income.* A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the 2013A Bonds held by such a company is allocated to the shareholder.

## **Change of Law**

The opinion of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the 2013A Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the 2013A Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the 2013A Bonds. Such potential new provisions of law may include the provisions of one or more bills currently pending in Congress that, if enacted into law, could limit the value of the exclusion from gross income of interest on the 2013A Bonds for high-income taxpayers. Prospective purchasers should consult their own tax and investment advisors concerning the tax and investment consequences of a purchase of the 2013A Bonds.

## **RATING**

At the request of MPS, Moody's Investors Service, Inc. ("Moody's") has issued a rating of "A1" with a "negative outlook" for the 2013A Bonds.

Any explanation of the significance of such ratings may only be obtained from Moody's. MPS has furnished certain information and materials to Moody's, which are not included in this Official Statement. MPS will pay Moody's a fee for its services in assigning the bond ratings to the 2013A Bonds. There is no assurance that the bond ratings assigned to the 2013A Bonds will be maintained for any given period of time or that they will not be lowered or withdrawn entirely if, in Moody's judgment, circumstances so warrant. Neither the Underwriters, the Issuer nor MPS have undertaken any responsibility to bring to the attention of the Bondowners any proposed revision or withdrawal of a bond rating for the 2013A Bonds or to oppose any such proposed revision or withdrawal. Any downward revision in or withdrawal of a bond rating for the 2013A Bonds may have an adverse effect on the market price or marketability of the 2013A Bonds.

## **UNDERWRITING**

The Underwriters have agreed to purchase the 2013A Bonds at an aggregate purchase price of \$52,102,547.93 (\$45,570,000 par amount, plus original issue premium of \$6,627,903.20 less Underwriters' discount of \$95,355.27) pursuant to the Bond Purchase Agreement dated April 10, 2013, as accepted by MPS and the Issuer. The Underwriters reserve the right to join with dealers and other Underwriters in offering the 2013A Bonds to the public. The obligation of the Underwriters to accept delivery of the 2013A Bonds is subject to various conditions in the Bond Purchase Agreement.

The 2013A Bonds may be offered and sold to certain dealers and others at prices lower than the offering prices stated on the inside cover hereof. The offering prices may be changed from time to time.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Please be informed that M.R. Beal & Company, Underwriter on the Bonds, has entered into an agreement (the "Distribution Agreement") with TD Ameritrade, Inc. for the retail distribution of certain municipal securities

offerings, at the original issue prices. Pursuant to the Distribution Agreement (as applicable for this transaction), M.R. Beal & Company will share a portion of its underlying compensation with respect to the Bonds with TD Ameritrade, Inc.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Exchange Act of 1934 (the "Rule"), MPS has agreed to enter into an undertaking (the "Undertaking") for the benefit of the beneficial holders of the 2013A Bonds to provide certain financial information and operating data relating to MPS annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Agreement to be executed and delivered by the MPS at the time the 2013A Bonds are delivered. Such agreement will be in substantially the form attached hereto as Appendix E. MPS intends to fully comply with the Undertaking relating to the 2013A Bonds.

As of the date of this Official Statement, all existing continuing disclosure undertakings entered into by MPS require MPS to provide its Annual Information Report (as defined in **APPENDIX E**) within nine months of the end of each fiscal year. Until April 2010, MPS had one continuing disclosure undertaking which required MPS to provide its Annual Information Report within six months of the end of each fiscal year. On December 29, 2009, MPS filed its Annual Information Report for the year ended June 30, 2009 with the MSRB for disclosure on the EMMA system. As such, MPS filed an Annual Information Report within six months of the end of the fiscal year and the MSRB knew of the filing but, because of problems with the EMMA system, did not have the EMMA system reflect the filing in a timely manner. On January 27, 2010, such filing was ultimately posted on EMMA.

The Undertaking may be enforced by any beneficial holder of 2013A Bonds, but failure by MPS to comply with the Undertaking will not constitute an event of default under the Indenture. Nevertheless, such a failure must be reported to MSRB in accordance with the Rule. In the last five years, MPS has not failed to comply in any material respect with any undertaking for the 2002A Bonds, 2003A Bonds or 2007A Bonds or similar undertakings.

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2013A Bonds. The 2013A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully registered Bond certificates will be issued for each maturity of the 2013A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2013A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2013A Bonds, except in the event that use of the book-entry only system for the 2013A Bonds is discontinued.

To facilitate subsequent transfers, all 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2013A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2013A Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2013A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI 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 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the 2013A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the 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, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013A Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond 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, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). Neither the Issuer, the Trustee, MPS nor the Underwriters is or are responsible for any information available on DTC's web site. No representation is made by the Issuer, MPS or the Underwriters as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the Issuer, MPS or the Underwriters to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the Issuer, the Trustee, MPS nor the Underwriters will have any responsibility or liability for the failure of DTC, DTC Participants or Indirect Participants to make any payment or give any notice to a Beneficial Owner in respect of the 2013A Bonds, or for any error or delay relating thereto.

#### **FINANCIAL ADVISOR**

The Issuer has retained Public Financial Management, Inc., Milwaukee, Wisconsin, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2013A Bonds. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the 2013A Bonds.

#### **MISCELLANEOUS**

The references herein to the 2013A Bonds, the Indenture, the 2013A Note and the Loan Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents. Copies of the documents mentioned under this heading are available for inspection at the offices of the Issuer and following delivery of the 2013A Bonds will be available for inspection at the offices of the Trustee.

It is anticipated that CUSIP identification numbers will be printed on the 2013A Bonds, but neither the failure to print such numbers on any 2013A Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any 2013A Bonds.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

MPS has reviewed the information contained herein (including the appendices hereto) which relates to them, their property and the plan of finance, and have approved all such information for use within the Official Statement.

The execution and delivery of this Official Statement have been duly authorized by MPS.

This Official Statement is approved:

**MILWAUKEE BOARD OF SCHOOL DIRECTORS**

By: /s/ Michael Bonds  
Michael Bonds, Ph.D.  
President

By: /s/ Gregory E. Thornton  
Gregory E. Thornton, Ed.D.  
Superintendent of Schools

## APPENDIX A

### MILWAUKEE PUBLIC SCHOOLS

#### General

The following information in this Appendix A comes from official statements of previous bond issues of the City of Milwaukee (the “City”) and from other sources believed to be reliable. The information is not provided to describe the security for the 2013A Bonds, but rather provided to illustrate how the Milwaukee Board of School Directors (“MPS”) has historically financed its capital and programmatic needs. The information is not intended to be a complete description of the operations of MPS.

MPS was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS provides elementary, secondary, vocational and special education services for grades K4 through 12. MPS’ boundaries are coterminous with those of the City. MPS is effectively treated by Wisconsin Statutes as a City department authorized by law to adopt its own budget. The City is required to levy and collect property taxes to support the MPS budget. All funds for MPS flow through the City Treasurer who, as the custodian of such funds by Statute, disburses them at the direction of the Superintendent/Auditing Officer of MPS. The City Comptroller, City Treasurer and City Attorney perform their respective functions for MPS as well as the City.

#### Financial Information and Budget Process

MPS has full control of all expenditures and revenues required for its operation. Section 119.46 of the Wisconsin Statutes requires MPS to transmit to the City a budget to operate, maintain, equip and improve MPS schools. The City’s Common Council must levy and collect property taxes equal to the amount of money budgeted by MPS. All taxes so collected and all other funds received by MPS for these purposes are deposited to the School Operations Fund.

Budget and financial information for MPS can be found on its website at the following web

address: [http://mpsportal.milwaukee.k12.wi.us/portal/server.pt/comm/budget\\_finance/339](http://mpsportal.milwaukee.k12.wi.us/portal/server.pt/comm/budget_finance/339)

A direct link to MPS’s Comprehensive Annual Financial Report (“CAFR”) for the year ended June 30, 2012 can be found on the MPS’s website at the following web address:

<http://mpsportal.milwaukee.k12.wi.us/portal/server.pt/doc/98389/Comprehensive+Annual+Financial+Report+2012>

#### Borrowing — General Obligation Debt

MPS does not have authority to issue debt. The City has the authority under Chapters 67 and 119, Wisconsin Statutes to issue municipal obligations for specific school purposes — including the acquisition of sites and constructing, enlarging and remodeling of school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. As shown in the following table, as of June 1, 2012, the City had outstanding general obligation debt for school purposes of \$126,243,619. The City also has authorized but unissued general obligation debt for school purposes. (See “Borrowing — Future Financing” below.)

**City of Milwaukee**  
**Outstanding General Obligation Debt Issues**  
**for School Purposes**  
**as of December 31, 2012**

Year Ending December 31	Principal <sup>(1)</sup>	Interest <sup>(2)</sup>	Total
2013	\$12,682,137	\$4,658,623	\$17,340,760
2014	12,288,334	5,019,799	17,308,133
2015	11,440,876	5,230,830	16,671,706
2016	13,155,446	4,796,591	17,952,037
2017	11,238,405	5,062,661	16,301,066
2018	10,088,637	4,644,472	14,733,110
2019	9,747,344	5,138,747	14,886,091
2020	8,887,988	5,267,861	14,155,849
2021	5,304,814	4,941,185	10,245,999
2022	5,555,671	5,778,404	11,334,074
2023	5,340,427	5,611,439	10,951,866
2024	3,645,000	2,106,600	5,751,600
2025	3,375,000	2,099,850	5,474,850
2026	3,450,000	1,958,250	5,408,250
2027	4,450,000	979,125	5,429,125
	\$120,650,078	\$63,294,438	\$183,944,516

Source: City of Milwaukee Comptroller's office.

(1) Assumes Sinking Fund Deposits in year due.

(2) Compound interest is included in year paid.

As stated above, the City has the general authority to incur debt for the benefit of MPS. Section 67.03 of the Wisconsin Statutes limits direct general obligation borrowing by the City to 5% of the equalized valuation of taxable property in the City. Section 119.49 of the Wisconsin Statutes authorizes additional indebtedness for school purposes only in an amount equal to 2% of the equalized valuation of taxable property in the City. The following table shows the total unused debt margin for the City, separating indebtedness subject to the 5% limit from indebtedness subject to the 2% limit.

**Total Unused Debt Margin for the City of Milwaukee**

2012 Equalized Value of Taxable Property in the City \$26,421,932,000

**Legal Debt Limitation for City Borrowing**

5% of Equalized Value 1,321,096,600

General Obligation Debt Outstanding subject to 5% Limit as of March 1, 2013	\$789,870,000	
Less: Provision for current year maturities	<u>(73,360,000)</u>	
Net General Obligation Debt Outstanding subject to the 5% Limit as of March 1, 2013		716,510,000

Total Debt Margin for City Borrowing (in Dollars) 604,586,600

(As a percentage) 45.8%

(As a percentage excluding GO Cash Flow Notes) 45.8%

**Legal Debt Limitation for School Purpose Borrowing**

2% of Equalized Value 528,438,640

General Obligation Debt Outstanding subject to 2% Limit as of March 1, 2013	14,774,150	
Less: Provision for current year maturities	--	

Net General Obligation Debt Outstanding subject to the 2% Limit  
as of March 1, 2013 14,774,150

Total Debt Margin for School Purpose Borrowing (in Dollars) 513,664,490

(As a percentage) 97.2%

Source: City of Milwaukee Comptroller's office.

**History of Full Valuation in  
The City of Milwaukee  
(2008-2012)**

<u>Levy Year</u>	<u>Collection Year</u>	<u>Full Valuation</u>	<u>Percent Increase/Decrease</u>
2008	2009	\$ 32,257,525,000	1.2%
2009	2010	31,266,329,200	-3.1%
2010	2011	29,520,783,200	-5.6%
2011	2012	27,954,669,900	-5.3%
2012	2013	26,421,932,000	-5.5%

Source: City of Milwaukee Comptroller's office.

**Borrowing — Revenue Bonds**

The following sections provide information on outstanding revenue obligations (other than the 2002A Bonds, 2003A Bonds, 2007A Bonds, and 2013A Bonds which are described in the front portion of this Official Statement) issued by the Issuer for school purposes.

Congress, Craig and Fratney Projects. On November 17, 2005, the Issuer issued \$12,415,000 of its Revenue Bonds, Series 2005A and loaned the proceeds to MPS to partially fund the construction of additions, renovations and improvements to three MPS schools. MPS has an obligation to pay rents under a lease to support the debt service on these revenue bonds. The schedule of lease payments for this lease transaction are as follows:

**Redevelopment Authority of the City of Milwaukee  
Redevelopment Lease Revenue Bonds, Series 2005A  
(Congress, Craig and Fratney Schools)  
Debt Service Payments as of June 30, 2012**

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 550,000	\$ 436,028	\$ 986,028
2014	575,000	413,940	988,940
2015	595,000	390,243	985,243
2016	620,000	365,180	985,180
2017	645,000	338,609	983,609
2018	675,000	310,221	985,221
2019	705,000	280,030	985,030
2020	735,000	248,166	983,166
2021	770,000	214,488	984,488
2022	805,000	178,648	983,648
2023	845,000	140,698	985,698
2024	880,000	101,683	981,683
2025	925,000	61,521	986,521
2026*	<u>920,000</u>	<u>20,470</u>	<u>940,470</u>
	10,245,000	3,499,925	13,744,925

Source: City of Milwaukee Comptroller's office.

\*The 2026 maturity is to be paid from the Debt Service Reserve Fund.

Pension Obligation Bonds. In December 2003, the Issuer issued its \$146,569,122 Taxable Pension Funding Bonds, 2003 Series C and 2003 Series D (Milwaukee Public Schools) (the "Pension Bonds"). The Issuer loaned the proceeds of the Pension Bonds to MPS, which, together with the proceeds of a general obligation note issue issued by the City, were used to retire MPS's unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees. MPS is obligated to make payments to the Issuer sufficient to pay the principal of and interest on the Pension Bonds, subject to annual appropriation. MPS's repayment obligation is payable solely from and secured by a pledge of monies in the School Operations Fund. MPS has also pledged certain State Aid payments received by MPS from the State to secure the payment of debt service.

The 2003 Series D Pension Bonds were issued as variable rate securities. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, are as follows:

**Redevelopment Authority of the City of Milwaukee  
Taxable Pension Funding Bonds  
(Milwaukee Public Schools)  
Annual Loan Payments as of June 30, 2012**

<u>Year ending June 30</u>	<u>Loan Payment</u>	<u>Year ending June 30</u>	<u>Loan Payments</u>
2013	\$ 7,342,885	2029	\$ 15,628,678
2014	7,342,885	2030	15,593,053
2015	7,342,885	2031	16,592,428
2016	7,342,885	2032	16,651,803
2017	7,342,885	2033	17,611,178
2018	7,342,885	2034	17,775,553
2019	7,342,885	2035	18,689,928
2020	7,342,885	2036	19,239,303
2021	7,342,885	2037	19,559,613
2022	7,342,885	2038	20,416,793
2023	7,342,885	2039	20,843,973
2024	13,476,010	2040	21,671,153
2025	13,198,983	2041	8,673,333
2026	14,305,553	2042	7,125,513
2027	14,124,928	2043	6,777,693
2028	15,184,302	2044	6,183,269

Source: City of Milwaukee Comptroller's office.

**Borrowing — Qualified Zone Academy Projects**

In December, 2001, MPS entered into a \$8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, respectively, MPS entered into a \$4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and \$2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project). In December 2005, MPS entered into a \$2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a \$1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools. MPS entered into QZAB Agreements with each investor, under which MPS makes annual impoundment payments which are subject to annual appropriation by MPS. The schedule of total remaining impoundment payments is as follows:

<u>December 1</u>	<u>Payment Amount</u>
2013	\$ 103,298

Source: Milwaukee Public Schools.

## **Borrowing — Future Financing**

The City has \$8,000,000 of authorized, but unissued, general obligation borrowing authority for school purposes.

### **Milwaukee Board of School Directors**

The Milwaukee Board of School Directors is a nine-member board, which, pursuant to Section 119.16(1m) of the Wisconsin Statutes, is charged with the possession, care, control and management of Milwaukee Public Schools facilities, operations, property and affairs. Eight directors represent and are elected by districts from within a total population of approximately 595,525. One member is elected at-large. Directors serve staggered, four-year terms, which expire in April, and annually, at the board's organizational meeting, elect a President. The current members and the years in which their terms of office expire are as follows:

#### **Milwaukee Board of School Directors**

<u>Name</u>	<u>District</u>	<u>Term Expiration</u>
Michael Bonds (President)	District 3	2015
Larry Miller (Vice President)	District 5	2013
Mark Sain	District 1	2015
Jeff Spence	District 2	2015
Annie Woodward	District 4	2013
Peter Blewett	District 6	2013
David Voeltner	District 7	2013
Meagan Holman	District 8	2015
Terrance Falk	At-Large	2015

The City Officials who serve in identical or similar capacities for MPS, and the year in which their terms of office expire, are as follows:

<u>Title</u>	<u>Name</u>	<u>Term Expiration</u>
City Attorney	Grant F. Langley	2016
City Comptroller	Martin Matson	2016
City Treasurer	Spencer Coggs	2016

## Public Services and Facilities

MPS has approximately 82,982 students and 4,946 teachers. It maintains 116 elementary schools, 7 middle schools, 29 high schools, and 19 schools with combined grades or partial grade spans. The average age of the MPS buildings is approximately 66 years, however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's and by the Neighborhood Schools Initiative in 2002-2006.

The purpose and responsibility of MPS is to provide an efficient educational system for children enrolled in the public schools, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to the regular educational programs, MPS offers comprehensive programs in the areas of vocational education, special education, and bilingual education. Through its specialty school programs, MPS offers advanced educational programs in such areas as fine arts, computer science, health professions, business, and technical trades. In addition, MPS provides community recreation and education services through its parks and centers for the elderly.

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

## Enrollment

<u>School Year</u>	<u>MPS Enrollment</u>	<u>School Year</u>	<u>MPS Enrollment</u>
2001-2002	99,302	2007-2008	92,224
2002-2003	99,054	2008-2009	89,110
2003-2004	98,987	2009-2010	87,137
2004-2005	98,338	2010-2011	85,239
2005-2006	96,874	2011-2012	84,422
2006-2007	94,973	2012-2013	82,982

Source: DPI Financial Aid Certification for each year.

## Insurance

MPS purchases commercial property insurance, auto liability insurance, errors and omissions insurance, fiduciary liability, and excess liability insurance. MPS assumes a \$250,000 self-insured retention for any one loss or occurrence under its self-insured general liability program. MPS purchases excess liability insurance for its general liability that provides per-occurrence and general aggregate protection. MPS is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance.

MPS provides health insurance benefits to employees and retirees through a self-insured PPO/Indemnity plan and self-insured exclusive provider organization (EPO) plan. MPS purchases stop-loss insurance for its self-insured exclusive provider organization (EPO) plan. MPS provides dental insurance benefits through a fully insured dental maintenance organization and through a self-insured indemnity plan. MPS does not purchase stop-loss insurance for its self-insured dental indemnity plan. MPS is fully self-insured for workers' compensation benefits and does not purchase stop-loss insurance.

MPS has recognized an accrued liability for health and dental benefits totaling \$26,560,853 as of June 30, 2012 in the General Fund. MPS has also recognized a liability of \$1,633,483 as of June 30, 2012 in the General Fund for workers' compensation claims that were due as of year-end. Accrued claims also include \$6.1 million of other insurance related liabilities.

## **Investment Policies**

The City may invest any of its funds, including MPS funds, not immediately needed in accordance with Section 66.0603(2) of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including MPS funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, Moody's Investors Services, Inc., or some other similar nationally recognized rating agency. To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool ("LGIP") as a subset of the State Investment Fund (the "Fund"). The LGIP includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The LGIP portion of the Fund is additionally secured as to credit risk.

SWIB invests the assets of the Fund, which includes assets of the LGIP. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is managed as a mutual fund with a longer average life than a money market fund made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of May 31, 2012, the City had approximately 15% (\$83,288,221) of its and MPS' investments deposited in the LGIP.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, Wisconsin 53707-7842.

## APPENDIX B

### THE NEIGHBORHOOD SCHOOLS PLAN

The Neighborhood Schools Plan (the "Program") is a plan that was implemented to restructure and reform the MPS educational delivery system and improve the education provided to City of Milwaukee residents. The overall goal and primary objective of the Program is to create community-rich neighborhood schools that allow parents to be more closely involved in their child's education; and to more fully engage the entire community in meeting the needs of children, youth and families. The nature and design of the neighborhood schools was intended to ensure participation by parents, students and residents as well as voice access and active participation in a school's full operation.

The Program was designed to generate cost "savings" in amounts approximating debt service on the Bonds issued to finance the Program. The primary cost savings resulted from a significant reduction in busing within MPS.

The aggregate transportation savings include cost reductions from both transportation policy changes as well as increases in neighborhood seating capacity that reduce transportation needs. The Program allows greater opportunity for parents to become actively involved in every aspect of a child's education and provide additional opportunities for parents and children to make choices and influence the curricula offered. The Program promotes and allows communities and families to work together to help children succeed and make academic gains while taking pride in their communities. Community-rich schools are expected to create communities that value their children's education and regain a true sense and "culture" of neighborhoods. Design elements of the Program are summarized as follows:

**1. *Expand Capacity.*** Expand capacity in 28 targeted elementary and six targeted middle school attendance areas, aiming to provide an opportunity for every student in these neighborhoods to have access to a high quality education close to home.

**2. *Programmatic Enhancements.*** Various programs and services include:

- a) full-day kindergarten programs for four- and five-year-old children in the 28 targeted elementary attendance areas;
- b) before and after school programs;
- c) increased numbers of kindergarten through 8th grade programs;
- d) increased accessibility to Bilingual and English as a Second Language (ESL) programs;
- e) special education and related services to students with disabilities;
- f) programs to reduce student-teacher ratios in the early grades;
- g) replicating specialty programs; and
- h) development of a new Parent Center.

**3. *Implementation.*** Measures employed as part of the Program include:

- a) safety plan to benefit the schools and neighborhoods;
- b) communication plan to increase community awareness and support;
- c) fiscally responsible strategies to meet the needs of Milwaukee's children and parents;
- d) revision of transportation and student assignment policies to offer all parents in Milwaukee a realistic opportunity to select a neighborhood school;
- e) creation of a school and community task force to study and make recommendations on policies and practices that affect student mobility;

- f) commitment to reflect the diversity of the Milwaukee community in the contracting, employment and educational opportunities generated by the Program;
- g) strategies for obtaining parental consent before transporting a student to a school outside the neighborhood attendance area; and
- h) proceed so that the measures proposed in the Program be, in effect, funded by transportation savings generated by the Program.

### **Borrowing/Plan of Finance**

The Issuer has the authority under Section 66.1333(5r) of the Wisconsin Statutes (the “Act”) to issue and sell revenue bonds to fund the Program. The Act authorized the issuance of bonds of up to \$170,000,000; however, the Program initially called for capital expenditures of \$100,000,000, and approval would be required by the Joint Finance Committee of the State Legislature prior to issuing bonds in excess of \$100,000,000 for capital expenditures. The Program was funded through the issuance of bonds in an aggregate amount of \$112,040,000 (the 2002A Bonds and the 2003A Bonds, collectively the Bonds), to finance \$100,000,000 of capital projects. All new operating expenses resulting from the Program were financed through changes in MPS’s operations. No borrowed proceeds were utilized for operational expenses.

The Neighborhood Schools Initiative has completed approximately 40 projects, providing approximately 5,600 neighborhood school seats. Since the inception of the Neighborhood Schools Initiative, students receiving transportation have decreased by approximately 9,100 students.

Although the State budget passed in 2000 did not provide additional funding to operate new neighborhood schools, Section 121.85(6)(a), (am) and (ar) of the Wisconsin Statutes (as amended, the “Enabling Legislation”) permitted MPS to access low-cost capital that could be repaid over time from funds presently allocated to fund student transportation. The Enabling Legislation empowered MPS to pledge the Intradistrict Aid to secure debt incurred for the purpose of the Program. “Intradistrict Aid” is the intradistrict transfer aid paid to MPS pursuant to the Enabling Legislation.

The amount of Intradistrict Aid is calculated by the State as of October 15th each year and paid in arrears once each year, currently on the third Monday in June. The statutory formula to determine the annual amount of Intradistrict Aid involves the calculation of a Base Amount which is adjusted downward, if required, and then reduced by certain annual deductions relating to the State’s Milwaukee Parental Choice Program and charter school program. For the fiscal year ending June 30, 2013, the net Intradistrict Aid amount is \$31,449,026.

There can be no assurance that the Enabling Legislation will not be amended or repealed in future years.

## **Projects with Community Partners**

Consistent with the Neighborhood Schools Plan vision of community-enriched schools, MPS has pursued opportunities to partner with community-based organizations to increase neighborhood seating capacity. Although such projects were not financed by 2002A Bond proceeds, a portion of the 2003A Bonds were used to finance projects developed with Participating Organizations in Qualified 501(c)(3) projects. Projects developed in this manner include the following:

**HR Academy, Inc.** HR Academy is a Wisconsin nonstock corporation, incorporated May 7, 1993. Its stated aim is to create and sustain a model partnership among a faith-based organization, a youth development agency, and a public school system through the development of a distressed site in a low-income area of Milwaukee. This project involves a school facility with approximately 420 classroom seats, located at 4834-56 North 35th Street, Milwaukee, Wisconsin. The initial owner of the facility is HR Academy, Inc., and portions of the facility are leased or otherwise used by MPS.

**Boys & Girls Clubs of Greater Milwaukee, Inc.** The Boys & Girls Clubs of Greater Milwaukee, Inc., is a Wisconsin nonstock corporation, incorporated on January 3, 1901. Its stated mission is inspiring and empowering all young people, especially those from disadvantaged circumstances, to realize their full potentials as productive, responsible and caring citizens. This project involves a school facility with approximately 572 classroom seats, located in the 2400 block of West Rogers Street, Milwaukee, Wisconsin, built adjacent to the Davis Boys & Girls Club located in that block. MPS is the owner of the school facility and Boys & Girls Clubs of Greater Milwaukee, Inc. continues to own the Boys & Girls Club facility.

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## APPENDIX C

### DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE PRINCIPAL BOND DOCUMENTS

#### DEFINITIONS OF CERTAIN TERMS

“Account” means any of the accounts established by the Indenture.

“Act” means Section 66.1333 of the Wisconsin Statutes, as amended from time to time.

“Acting Beneficiaries Upon Default” means as such term is used in the Article pertaining to defaults and remedies in the Indenture:

(a) for purposes of a default in the payment of the principal or purchase price of, premium, if any, or interest on the Bonds under the Indenture: (1) the Credit Enhancement Facility, and if no Credit Enhancement Facility is applicable, the Owners of not less than 25% in aggregate principal amount of Bonds Outstanding and (2) any related Credit Facility Provider;

(b) for purposes of acceleration of maturity of any Promissory Note pursuant to the Loan Agreement and remedies under the Indenture, the Credit Enhancement Facility, and if no Credit Enhancement Facility is applicable, the Owners of not less than 25% in aggregate principal amount of Bonds Outstanding;

(c) for purposes of rights to direct proceedings upon a default under the Indenture, the Credit Enhancement Facility, and if no Credit Enhancement Facility is applicable, the Owners of not less than 50% in aggregate principal amount of the Bonds Outstanding (including where applicable, the consent of any related Credit Facility Provider); and

(d) for all other purposes hereunder, the Credit Enhancement Facility, and if no Credit Enhancement Facility is applicable, the Owners of not less than 25% in aggregate principal amount of Bonds Outstanding or any Other Beneficiary.

“Additional Bonds” means Bonds (other than the Series 2002A Bonds, the Series 2003A Bonds, the Series 2007A Bonds, and the Series 2013A Bonds) issued or to be issued under the Indenture in accordance with the Indenture pursuant to the request of the Borrower and the authorization of the Issuer.

“Additional Loans” means any loan or loans made to the Borrower pursuant to the terms of the Loan Agreement, with funds made available to the Issuer from the sale of Additional Bonds.

“Administrative Expense” means any expected administrative expenses relating to the Bonds, including but not limited to the Trustee fees as described in the Indenture and any fees of any Credit Facility Provider.

“Administrative Fund” means the Fund by that name established by the Indenture, which is described in “SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust* Funds” herein.

“Authorized Denomination” means, with respect to Bonds of a particular series, the denominations authorized therefor in the Supplemental Indenture creating such series of Bonds.

“Authorized Officials of the Borrower” means the President or the Superintendent of the Borrower.

“Bankruptcy Condition” means (1) the filing of a petition in bankruptcy by or against the Borrower or the Issuer as debtor under the United States Bankruptcy Code, 11 U.S.C. Sections 101 et seq., or (2) the commencement or continuance of other judicial proceedings with respect to the Borrower or the Issuer as debtor under similar or successor federal or state bankruptcy, reorganization or insolvency laws.

“Beneficial Owner” means, with respect to a Bond which is held in Book Entry Form, the person who owns the Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

“Beneficial Ownership Interest” means the right to receive payments and notices with respect to Bonds which are held by the Depository under a Book Entry System and for which the Depository does not, pursuant to the Letter of Representations, act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds pursuant to a Supplemental Indenture.

“Beneficiaries” means (1) the Owners of any Outstanding Bonds, and (2) any Other Beneficiary.

“Bond Counsel” means Independent Counsel whose legal and tax opinion on municipal bond issues is nationally recognized.

“Bond Fund” means the Fund by that name established by the Indenture, which is described in “SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust* Funds” herein.

“Bond Register” means the registration books maintained by the Trustee pursuant to the Indenture.

“Bondowners” and “Owners” (when used with reference to Bonds) means, at the time or times of determination, the persons who are registered owners of Bonds.

“Bonds” means all Bonds issued pursuant to the Indenture in accordance with the provisions of the Indenture.

“Book Entry Form” or “Book Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (1) the ownership of beneficial interests in the Bonds may be transferred only through book entry and (2) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Owner, with the physical Bond certificates immobilized in the custody of the Depository.

“Borrower” means Milwaukee Board of School Directors, a body politic, organized and existing under Chapter 119 of the Wisconsin Statutes.

“Borrower’s Certificate” means a certificate signed on behalf of the Borrower by Authorized Officials of the Borrower.

“Borrower’s Representative” means the person or, in his or her absence, the alternate person, designated in a Borrower’s Certificate (containing specimen signatures of each such person) as a person authorized to execute and deliver Requisitions, to give any notices that may be required by the Indenture or any Supplemental Indenture and to give Trust Fund investment directions on behalf of the Borrower.

“Business Day” means, except as otherwise provided in a Supplemental Indenture, a day of the year (1) other than a Saturday, a Sunday or legal holiday on which banks located in the city in which the Trustee’s Principal Office is located, are required or authorized by law to remain closed or (2) on which neither the New York Stock Exchange nor the Federal Reserve Banks are closed.

“City” means the City of Milwaukee, Wisconsin.

“Cost of Issuance Fund” means the Fund by that name established by the Indenture, which is described in “SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust Funds*” herein.

“Counsel” means a person, or firm of which such a person is a member, authorized in any state to practice law.

“Credit Enhancement Facility” means, if and to the extent provided for in a Supplemental Indenture, with respect to Bonds of a particular series, an insurance policy insuring, or a letter of credit or surety bond providing a direct or indirect source of funds for, the timely payment of principal of and interest on such Bonds (but not necessarily principal due upon acceleration under the Indenture), and all agreements entered into by the Borrower or the Trustee with respect thereto, but excluding the Moral Obligation Pledge.

“Credit Facility Provider” means, if and to the extent provided for in a Supplemental Indenture, any Person or Persons engaged by the Borrower (1) pursuant to a Remarketing Agreement, to provide credit enhancement or liquidity for the Borrower’s obligation to repurchase or redeem Bonds of one or more series subject to a remarketing which has not been remarketed, or (2) pursuant to a Credit Enhancement Facility, to provide credit enhancement for the payment of the principal of and interest on any or all of the Bonds of one or more series.

“Debt Service” means: (1) with respect to any Bonds, as of any particular date and with respect to any particular period, the aggregate of the moneys to be paid or set aside on such date or during such period for the payment (or retirement) of the principal of, premium, if any, and interest on Bonds and (2) with respect to Other Obligations, as of any particular date and with respect to any particular period, the aggregate of the moneys to be paid or set aside on such date or during such period for the payment of amounts payable by the Borrower under any Credit Enhancement Facility or Remarketing Agreements, including, inter alia, fees payable by the Borrower to a Credit Facility Provider thereunder.

“Debt Service Reserve Fund Requirement” means, for all Bonds issued which are not secured by the Moral Obligation Pledge, an amount specified in the Supplemental Indenture providing for the issuance thereof, provided that such amount will be an amount sufficient at the time of issuance of such Bonds to satisfy the Rating Agency Condition with respect to all Outstanding Bonds which are secured by the Moral Obligation Pledge.

“Debt Service Reserve Fund Surety” means, a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement in favor of the Trustee, purchased in lieu of funding the Special Debt Service Reserve Fund or the Reserve Fund with cash.

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

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

“Depository” means any securities depository that is 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, operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of beneficial interests in the Bonds, and to effect transfers of the Bonds, in Book Entry Form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Determination of Taxability” means the occurrence of any of the following: the filing of a Borrower's Certificate with the Trustee asserting or indicating by its terms to the satisfaction of the Trustee that an Event of Taxability has occurred; notification to the Trustee that an authorized officer or official of the Internal Revenue Service has issued a statutory notice of deficiency or document of similar import to the effect that an Event of Taxability has occurred; notification to the Trustee from any Bondowner or former Bondowner to the effect that the Internal Revenue Service has assessed as includable in the gross income of such Bondowner or former Bondowner interest on a Bond due to the occurrence of any Event of Taxability; an opinion of Bond Counsel to the effect that an Event of Taxability has taken place; or the Trustee receives an opinion of Bond Counsel to the effect that if the Bonds are examined by the Internal revenue Service (the “IRS”), the IRS is likely to conclude that an Event of Taxability has occurred with respect to the Bonds unless some remediation action, as defined in the Treasury Regulations, is taken; provided, however, that in respect of clauses (b) and (c) above, a Determination of Taxability will not be deemed to have occurred unless and until the Borrower has been notified of the allegation that an Event of Taxability and a Determination of Taxability have occurred and the Borrower has failed within 60 days following such notice either (1) to have the allegation that an Event of Taxability has occurred rescinded by the Internal Revenue Service or the Bondowner or the former Bondowner who made such allegation, as the case may be, or (2) to obtain an unqualified opinion of Bond Counsel acceptable to the Trustee to the effect that no Event of Taxability has occurred.

“Effective Date” means May 6, 2013.

“Eligible Costs of the Program” means the following categorical costs of providing the Program:

1. the "Bond Issuance Costs," namely the costs, fees and expenses incurred or to be incurred by the Borrower in connection with the issuance and sale of the Bonds which are subject to the limitation described in Section 147(g)(1) of the Internal Revenue Code, including commitment, underwriting, remarketing or other financing fees, the fees and disbursements of Bond Counsel, the Trustee's acceptance fee, the filing and recording fees in connection with any filings or recording necessary under the Indenture or to perfect the lien thereof, any administrative fee of the Issuer, the fees and disbursements of counsel to the Issuer, the fees and disbursements of counsel to the Borrower, the fees and disbursements of the counsel to the underwriter, rating agency fees, the fees and disbursements of the Borrower's accountants, the costs of preparing or printing the Bonds and the documentation supporting the issuance of the Bonds, and any other costs of a similar nature reasonably incurred;

2. the "Planning Costs," namely the preliminary expenditures which include architectural, engineering, surveying, soil testing and similar costs that are incurred prior to commencement of acquisition, construction or rehabilitation of the Program, other than land acquisition, site preparation and similar costs incident to commencement of construction;

3. the "Basic Program Costs," namely those costs of carrying out the Program (other than the Bond Issuance Costs) that are capitalizable in nature, including without limitations the costs of acquiring, constructing or improving tangible property or leasehold interest therein incurred after October 16, 2000; and

4. the “Other Costs,” namely such other costs incurred in connection with the Program or the financing thereof which, in the opinion of Bond Counsel, may be paid or reimbursed to the Borrower from the Program Fund without adverse effect on the legality of the Bonds or the exclusion of interest thereon from gross income for federal income purposes under Sections 103(a) of the Internal Revenue Code, including but not limited to any Credit Enhancement Facility premium and any Debt Service Reserve Fund Surety premium.

“Enabling Legislation” means Section 14g, 15m, 40k, 1630d, 2108s, 2143p and 9158 (7tw) of the Wisconsin 1999 Act 9.

“Event of Default” means any of the events designated as such in the Indenture and the Loan Agreement, as applicable.

“Event of Taxability” means the circumstance of interest paid or payable on any Bond becoming includable for federal income tax purposes (other than for purposes of computing alternative minimum taxes) in the gross income of any Bondowner as a consequence of any act, omission or event whatsoever.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of February 1, 2002, between the Issuer and the Trustee.

“Fourth Supplemental Indenture” means the Fourth Supplemental Indenture of Trust dated as of May 1, 2013 between the Issuer and the Trustee.

“First Supplemental Loan Agreement” means the First Supplemental Loan Agreement, dated as of November 1, 2003, between the Issuer and the Borrower.

“Fund” means any of the Trust Funds established by the Indenture.

“Government Obligations” means direct, full faith and credit obligations of the United States of America.

“Governor” means the Governor of the State of Wisconsin.

“Indenture” means the Indenture of Trust, dated as of February 1, 2002, between the Issuer and the Trustee, as trustee, as supplemented by the First Supplemental Indenture of Trust, the Second Supplemental Indenture of Trust, the Third Supplemental Indenture of Trust, and the Fourth Supplemental Indenture of Trust, and as thereafter amended and/or supplemented from time to time pursuant to its terms.

“Independent Counsel” means any attorney or firm of attorneys who or which will be acceptable to the Trustee and who or which is not an employee of the Borrower or the Issuer.

“Interest Payment Date” means (1) each regularly scheduled interest payment date with respect to the Bonds (which dates will be specified in the Supplemental Indenture providing for the issuance thereof) and (2) with respect to the payment of interest upon redemption, acceleration or purchase of a Bond by the Trustee, such date on which such interest is payable under the Indenture.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Intradistrict Aid” means all aid the Borrower receives under Section 121.85 (6) (a), (am) and (ar) of the Wisconsin Statutes, as amended.

“Issuer” means the Redevelopment Authority of the City of Milwaukee, a public body corporate and politic created under the Act, and its successors.

“Letter of Representations” means the agreement between the Issuer and the Depository that sets forth the manner of making and processing payments, giving notices and other procedures relating to the Depository's Book Entry System. The initial Letter of Representations is the Blanket Issuer Letter of Representations dated May 9, 1995, from the Issuer to The Depository Trust Company.

“Loan” means any loan made pursuant to the Loan Agreement.

“Loan Agreement” means the Loan Agreement, dated as of February 1, 2002, between the Issuer and the Borrower, as supplemented by the First Supplemental Loan Agreement and the Second Supplemental Loan Agreement, the Third Supplemental Loan Agreement, and as amended and/or supplemented from time to time by Supplemental Loan Agreements in accordance with the Loan Agreement and the Indenture.

“Loans” means the Series 2002A Loan, the Series 2003A Loan, the Series 2007A Loan, the Series 2013A Loan and all Additional Loans made pursuant to the Loan Agreement.

“Maturity” when used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as provided in the Bond or the Indenture, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.

“Maximum Annual Debt Service” means, with respect to specified Bonds Outstanding, with respect to the Issuer's fiscal year, the maximum aggregate amount of the moneys to be paid or set aside during the Issuer's fiscal year for the payment (or retirement) of the interest on or principal of such Bonds plus mandatory sinking fund payments of such Bonds. Bonds deemed to have been paid in accordance with the defeasance provisions of the Indenture will not be included as Bonds Outstanding in the computation.

“Moral Obligation Pledge” means the State's moral obligation pledge described in subsection (5r) (j) of the Act.

“Other Beneficiary” means a person who holds or the beneficiary under any Outstanding Other Obligation.

“Other Obligations” means the Borrower's obligations to pay any amounts under any Credit Enhancement Facility and Remarketing Agreement.

“Outstanding,” when used with reference to:

(a) Bonds, means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(i) Bonds or portions thereof canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds in lieu of which other Bonds have been authenticated and delivered in accordance with the Indenture;

(iii) Bonds which are not deemed to be Outstanding in accordance with the Indenture; and

(iv) Bonds in lieu of which other Bonds have been authenticated and delivered or which are not deemed to be Outstanding in accordance with a Supplemental Indenture.

(b) Any Other Obligation, means all Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, incorporated organization or government or any agency or political subdivision thereof.

“Pledged Revenues” means all revenues and income derived by or for the account of the Issuer from or for the account of the Borrower pursuant to the terms of the Loan Agreement, any Promissory Note and the Indenture, including, without limitation (1) all amounts derived pursuant to any Credit Enhancement Facility, (2) all cash and securities held from time to time in the Trust Funds (other than the Rebate Fund), and the investment earnings thereon, (3) all payments received by the Issuer from the Moral Obligation Pledge; and (4) all payments by the Borrower on any Promissory Note or pursuant to the Loan Agreement; but excluding any amounts derived by the Issuer for its own account pursuant to the enforcement of Unassigned Rights.

“Preference Opinion” means an opinion of Bond Counsel addressed to the Trustee, stating in effect that the use of the funds to which the opinion relates for the purchase of Bonds or for the payment of the principal of, or premium or interest on, the Bonds, as the case may be, will not, upon the occurrence of a Bankruptcy Condition on or after the date of such opinion, constitute a preference payment under the United States Bankruptcy Code (taking into account the "insider" provisions thereof) or a payment of similar import (that is, a payment subject to disgorgement upon the occurrence of certain bankruptcy events) under the then applicable federal and state bankruptcy, insolvency and reorganization laws.

“Program” means the program of the Borrower described in the Neighborhood Schools Plan Final Report Amended and Adopted by the Milwaukee Board of School Directors, dated August 24, 2000, as modified and approved by the Joint Committee on Finance of the Wisconsin Legislature on September 26, 2000, in accordance with the Enabling Legislation.

“Program Budget” means the budget described in the Loan Agreement and the Third Supplemental Loan Agreement.

“Project” means each individual site on which a portion of the Program is to be constructed.

“Program Fund” means the Fund by that name established by the Indenture, which is described in "SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust Funds*" herein.

“Promissory Notes” means any Promissory Note of the Borrower issued to evidence any Loan.

“Qualified Investments” means, to the extent permitted under both Sections 66.0603 and 66.1333 (5)(a)(3) of the Wisconsin Statutes, as lawfully amended, any of the following permitted investments:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed as to full and timely payment of principal and interest by, the United States of America, including obligations of any of the Federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States of America;

(b) bonds, debentures, or other evidences of indebtedness issued or guaranteed by the following United States government-sponsored agencies: Federal Home Loan Mortgage Corporation, Farm Credit System, Federal Home Loan Banks, Federal National Mortgage Association, Student

Loan Marketing Association, Financing Corporation, Resolution Trust Corporation, Resolution Funding Corporation or any other government-sponsored agency which is not backed by the full faith and credit of the U.S. government which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(c) 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 (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instruction, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund 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 redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (c), as appropriate, and (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (c) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (c), as appropriate;

(d) project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(e) direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase under the General Resolution such obligations are rated in one of the two highest Rating Categories by each Rating Agency then rating such obligations;

(f) obligations of any state of the United States of America or any political subdivision of any state of the United States of America or any agency or instrumentality of any such state or political subdivision which shall be rated at the time of their purchase under the General Resolution in one of the two highest Rating Categories by each Rating Agency then rating such obligations;

(g) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in custody by a bank or trust company or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$50,000,000, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed as to payment pursuant to a credit support arrangement provided by one or more financial institutions or insurance companies or associations the uninsured, unsecured and unguaranteed obligations of which shall be rated in the two highest Rating Categories by each Rating Agency then rating such certificates or obligations or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on

municipal bonds, such insurance policy shall result in such municipal bonds being so rated at the time of purchase under the General Resolution;

(h) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clauses (a) through (g), provided that such obligations shall be held in custody by a bank or trust company or a national banking association having capital stock, surplus and undivided earnings aggregating at least \$50,000,000;

(i) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank or trust company in the United States which are rated at the time of purchase in one of the two highest Rating Categories by each Rating Agency then rating such instruments;

(j) any repurchase agreements collateralized by securities described in clauses (a) through (i) above with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, any primary broker/dealer or any commercial bank, if such broker/dealer or bank (or the parent or holding company of which) has an unsecured, unsecured and unguaranteed obligation rating (an "unsecured rating") of "Prime-I" and "A" or better by Moody's and "A-I" or "A-3" or better by S&P and of "A-1" or "A-3" or better by Fitch, but only if Moody's, S&P and/or Fitch is a Rating Agency then rating such obligation, and provided (1) a specific written agreement governs the transaction; (2) the securities are held by a depository acting solely as agent for the District, and such depository is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital, surplus and undivided profits of not less than \$25,000,000, and the District or Trustee shall have received written confirmation from such third party that it holds such securities; (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the District; (4) the repurchase agreement provides that the collateral securities will be valued no less frequently than weekly and will be liquidated if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; (5) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to an interest payment date; and (6) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 102%;

(k) shares of an Investment Company, organized under the Investment Company Act of 1940, as amended, rated in one of the two highest Rating Categories by each Rating Agency then rating such Investment Company, which invests its assets exclusively in obligations of the type described in clauses (a) through (j);

(l) investment agreements which either (1) represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof in one of the two highest Rating Categories by each Rating Agency then rating such institution or agreement, or (2) represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case such obligation being collateralized by securities described in clauses (a), (b) or (c) above in this definition of Qualified Investments and provided that such securities at all times have a market value (exclusive of accrued interest) at least equal to such investment agreement so secured;

(m) the local government-pooled investment fund under Section 25.50 of the Statutes;  
and

(n) any other investment permitted by State law that is rated at the time of purchase in one of the two highest Rating Categories by each Rating Agency then rating such investment.

“Rating Agency” means any rating agency that has an outstanding rating on any of the Bonds pursuant to request by the Issuer.

“Rating Agency Condition” means, with respect to any action, that each Rating Agency has notified the Issuer and the Trustee in writing that such action will not result in a reduction, qualification or withdrawal of the then current rating of any of the Bonds.

“Rebate Fund” means the special Fund created under the Indenture which is held for the sole benefit of the U.S. Treasury and is not a Pledged Revenue.

“Record Date” means with respect to an Interest Payment Date for any series of Bonds, unless the Supplemental Indenture authorizing the issuance of such series of Bonds otherwise provides, the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date.

“Redemption Date” when used with respect to any Bond to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture.

“Redemption Fund” means the Fund by that name established by the Indenture, which is described in "SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust Funds*" herein.

“Remarketing Agent” with respect to any series of Bonds, means any securities dealer designated as such with respect to such Bonds, pursuant to the provisions of the Indenture and its successor or successors and any securities dealer at any time substituted in its place pursuant to the Indenture.

“Remarketing Agreement” means an agreement between a Remarketing Agent or Remarketing Agents and the Borrower setting forth the rights and obligations of the Remarketing Agent or Remarketing Agents acting in such capacity under the Indenture and otherwise meeting the requirements of the Indenture, including any supplement thereto or amendment thereof entered into in accordance with the provisions thereof.

“Requisition” means a requisition of the Borrower substantially in the form attached to the Loan Agreement.

“Requisite Consent of Bondowners” means the affirmative written consent of Bondowners owning in aggregate not less than a majority in aggregate principal amount of the Bonds (other than Bonds owned by the Borrower or any "related person" as defined in Section 147(a) of the Internal Revenue Code) at the time Outstanding.

“Reserve Fund” means the Fund by that name established by the Indenture, which is described in "SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust* Funds" herein.

“Revenue Fund” means the Fund by that name established by the Indenture, which is described in "SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust* Funds" herein.

“Second Supplemental Indenture” means the Second Supplemental Indenture of Trust, dated as of November 1, 2003, between the Issuer and the Trustee.

“Second Supplemental Loan Agreement” means the Second Supplemental Loan Agreement, dated as of February 1, 2007, between the Issuer and the Borrower.

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

“Series 2002A Bonds” means the Issuer's Revenue Bonds, Series 2002A (Milwaukee Public Schools-Neighborhood Schools Initiative) issued under the First Supplemental Indenture in the aggregate principal amount of the Series 2002A Bond Amount.

“Series 2002A Loan” means the loan from the Issuer to the Borrower, in the principal amount of the Series 2002A Loan Amount with funds made available to the Issuer from the sale of the Series 2002A Bonds.

“Series 2002A Loan Amount” means \$33,000,000 which is both the principal amount of the Series 2002A Bond issue and the amount of the Series 2002A Loan.

“Series 2003A Bonds” means the Issuer's Revenue Bonds, Series 2003A (Milwaukee Public Schools-Neighborhood Schools Initiative) issued under the Second Supplemental Indenture in the aggregate principal amount of the Series 2003A Bond Amount.

“Series 2003A Loan” means the loan from the Issuer to the Borrower, in the principal amount of the Series 2003A Loan Amount with funds made available to the Issuer from the sale of the Series 2003A Bonds.

“Series 2003A Loan Amount” means \$78,740,000, which is both the principal amount of the Series 2003A Bond issue and the amount of the Series 2003A Loan.

“Series 2007A Bonds” means the Issuer's Refunding Revenue Bonds, Series 2007A (Milwaukee Public Schools-Neighborhood Schools Initiative) issued under the Third Supplemental Indenture in the aggregate principal amount of the Series 2007A Bond Amount.

“Series 2007A Loan” means the loan from the Issuer to the Borrower, in the principal amount of the Series 2007A Loan Amount with funds made available to the Issuer from the sale of the Series 2007A Bonds.

“Series 2007A Loan Amount” means \$31,865,000, which is both the principal amount of the Series 2007A Bond issue and the amount of the Series 2007A Loan.

“Series 2013A Bonds” means the Bonds created and to be issued under the Fourth Supplemental Indenture in the original principal amount of \$45,570,000.

“Series 2013A Cost of Issuance Account” means the Account by that name established by the Fourth Supplemental Indenture.

“Series 2013A Cost of Issuance Deposit Amount” means \$270,725.00.

“Series 2013A Loan” means the loan from the Issuer to the Borrower, in the principal amount of the Series 2013A Loan Amount with funds made available to the Issuer from the sale of the Series 2013A Bonds.

“Series 2013A Loan Amount” means \$45,570,000, which is both the principal amount of the Series 2013A Bond issue and the amount of the Series 2013A Loan.

“Series 2013A Promissory Note” means the Borrower's promissory note, dated May 6, 2013, issued in the principal amount of the Series 2013A Loan Amount payable to the order of the Issuer as evidence of the Series 2013A Loan.

“Sinking Fund Payment Date” means the date on which any term Bond is to be called for mandatory redemption pursuant to the applicable sinking fund provisions of the Supplemental Indenture providing for the issuance of such Bond, or, if not redeemed, the Stated Maturity thereof.

“Special Debt Service Reserve Fund” means the Fund by that name established by the Indenture, which is described in “SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Indenture-Trust Funds*” herein.

“Special Debt Service Reserve Fund Requirement” means, for all Bonds issued which are secured by the Moral Obligation Pledge, as of any particular date, the aggregate Maximum Annual Debt Service for all such Bonds.

“State” means the State of Wisconsin.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon, means the date specified in such Bond as the fixed date on which principal of such Bond or such installment of interest is due and payable.

“Supplemental Indenture” means any supplement to or amendment of the Indenture entered into in accordance with the Indenture.

“Supplemental Loan Agreement” means any supplement to or amendment of the Loan Agreement entered into in accordance with the Loan Agreement and the Indenture.

“Third Supplemental Indenture” means the Third Supplemental Indenture of Trust, dated as of February 1, 2007, between the Issuer and the Trustee.

“Third Supplemental Loan Agreement” means the Third Supplemental Loan Agreement, dated as of May 1, 2013, between the Issuer and the Borrower.

“Trust Funds” means, in the aggregate, all of the Funds and Accounts administered by the Trustee under the Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A. (or its predecessor), and any successor banking corporation, banking association or trust company at the time serving as corporate trustee under the Indenture.

“Unassigned Rights” means the Borrower's obligations to the Issuer pertaining to provisions for the benefit of the Issuer, insurance on the Program and the limited liability of the Issuer.

“Variable Rate Bonds” means Bonds whose interest rate is not fixed but varies on a periodic basis as specified in the Supplemental Indenture providing for the issuance thereof.

## SUMMARY OF PRINCIPAL BOND DOCUMENTS

### THE INDENTURE

*The following, in addition to the information contained elsewhere in this Official Statement, summarizes certain provisions of the Indenture executed by the Issuer and delivered to the Trustee, to which reference is made for a full and complete statement of the provisions thereof.*

#### ASSIGNMENTS AND PLEDGE (GRANTING CLAUSES)

In order to secure the payment of the principal or purchase price of, premium, if any, and interest on the Bonds issued and Outstanding under the Indenture according to their tenor and effect, and to secure the performance and observance by the Issuer of all of the covenants and obligations expressed or implied in the Indenture and in the Bonds, the Issuer has in the Indenture irrevocably pledged, assigned and granted a security interest in and confirmed unto the Trustee, and the successors in trust and assigns of the Trustee, forever to the extent provided in the Indenture (the “Trust Estate”):

- (a) All right, title and interest of the Issuer in and to the Promissory Notes;
- (b) All right, title and interest of the Issuer in, to and under the Loan Agreement and the right to receive revenues and payments from the Borrower thereunder;
- (c) All right, title and interest of the Issuer in and to the Pledged Revenues;
- (d) All right, title and interest (if any) of the Issuer in and to any Credit Enhancement Facility;
- (e) All right, title and interest of the Issuer in and to the Trust Funds (other than the Rebate Fund) and the cash, securities and investments of which they are comprised; and
- (f) All property which by the express provisions of the Indenture is required to be subjected to the lien thereof, and any additional property that may from time to time thereafter be made subject to the lien thereof by the Issuer or by anyone on its behalf;

The Trust Estate is for the equal and ratable benefit and security of the Bondowners without preference, priority or distinction as to lien or otherwise of any particular Bond over any other Bond except as otherwise expressly authorized or provided in the Indenture.

#### ADDITIONAL BONDS

The Issuer may issue Additional Bonds, upon compliance with certain conditions. These conditions include the following:

(a) The Trustee must certify that there is no deficiency in the Rebate Fund or the Bond Fund and that, after the issuance of the series of Bonds then to be issued and the application of the proceeds thereof, there will not be a deficiency in the Special Debt Service Reserve Fund or the Reserve Fund.

(b) An Authorized Official of the Borrower must certify in a Borrower's Certificate filed with the Trustee that the Borrower is not in default in the performance of any of its covenants and agreements in the Loan Agreement (unless, in the opinion of Bond Counsel, any such default does not deprive any Beneficiary in any material respect of the security afforded by the Indenture).

(c) Each Supplemental Indenture providing for the issuance of any series of Bonds must state whether or not such series of Bonds is secured by a Moral Obligation Pledge. If such series of Bonds will be secured by a Moral Obligation Pledge, then the Issuer must receive a certificate from the Secretary of the Department of Administration confirming that the Moral Obligation Pledge applies to such series of Bonds.

(d) If the aggregate principal amount of Bonds Outstanding will exceed \$105,000,000 after the issuance of the series of Bonds then to be issued, consent of the Credit Facility Provider must be obtained before the issuance of such series of Bonds.

#### PARITY

Except as expressly authorized or provided in the Indenture, (1) the Indenture is for the equal and ratable benefit and security of all Bonds issued and to be issued thereunder; (2) all Bonds will be of equal rank; and (3) no Bondowner will be accorded a preference or priority over any other Bondowner. All Bonds that are secured by the Moral Obligation Pledge will be equally and ratably secured by the Special Debt Service Reserve Fund and will not be secured by the Reserve Fund. Furthermore, all Bonds that are not secured by the Moral Obligation Pledge will not be secured by the Special Debt Service Reserve Fund and may or may not be secured by the Reserve Fund.

#### SOURCE OF PAYMENT AND SECURITY FOR BONDS

The principal of, premium, if any, and interest on the Bonds will be payable by the Issuer solely from the Pledged Revenues. The Pledged Revenues are specifically, irrevocably and exclusively pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds (except as expressly limited by the paragraph immediately above), and will be used for no other purpose except as otherwise expressly authorized in the Indenture.

The Bonds will not constitute a debt or obligation of the Issuer, the City, the State or any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and will not be a charge against their general credit or taxing powers. It is understood that the Issuer has no taxing powers.

#### NONPRESENTMENT OF BONDS

In the event any Bond is not presented for payment when the principal thereof becomes due, either at Stated Maturity or on the date fixed for redemption thereof, if cash sufficient to pay such bond is held by the Trustee for the benefit of the Owner thereof, all liability of the Issuer to the Owner thereof for the payment of such bond will cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such cash in a segregated trust account without liability for interest thereon, for the benefit of the Owner of such bond who will thereafter be restricted exclusively to such account for any claim of whatever nature on such Person's part under the Indenture or on or with respect to said Bond. Such cash in such segregated trust account will thereafter no longer be considered Pledged Revenues any such Bond will no longer be deemed Outstanding under the Indenture. If any such Bond has not been presented within 60 days of the date the principal became due, the Trustee will promptly notify the Person identified as the Owner of such bond in the Bond Register (as of the date the principal of such Bond became due) by first class mail that such Bond has become due and that the amount due is being held by the Trustee thereunder.

After any such cash has been held in such segregated trust account for four years, the Trustee will certify the amount thereof and the identifying numbers of the particular Bonds whose Owners have a claim there against (which Owners will also be identified, if known) and deliver such certificate and such cash to the Borrower. Thereafter such Owners will have an unsecured claim against the Borrower in respect of payment of such unrepresented Bonds, and will have no further claim whatever against the Issuer or the Trustee.

#### CREDIT ENHANCEMENT FACILITY

The Issuer and the Trustee may from time to time, pursuant to a Supplemental Indenture, obtain the benefit of any Credit Enhancement Facility with respect to any Bonds of any series, provided that (1) the Rating Agency Condition is satisfied with respect to any such Credit Enhancement Facility, and (2) any such Credit Enhancement Facility satisfies any conditions specified in a prior Supplemental Indenture.

Notwithstanding anything in the Indenture to the contrary, (1) any Supplemental Indenture authorizing a Credit Enhancement Facility may include provisions with respect to the application and use of all amounts to be paid thereunder, (2) no amounts paid under any such Credit Enhancement Facility will be part of the Trust Estate except to the extent, if any, specifically provided in such Supplemental Indenture and no Beneficiaries will have any rights with respect to any such amounts so paid except as may be specifically provided in such Supplemental Indenture, and (3) Bonds of one or more series or any portions thereof may be secured by a pledge of any or all amounts payable pursuant to such Credit Enhancement Facility, in the manner and to the extent provided in such Supplemental Indenture.

## TRUST FUNDS

The following described trust funds (collectively the “Trust Funds”) are created under the Indenture to be held in the custody of the Trustee for the uses and purposes provided in the Indenture and summarized below: Cost of Issuance Fund; Program Fund; Revenue Fund; Bond Fund; Redemption Fund; Special Debt Service Reserve Fund; Reserve Fund; and Administrative Fund.

Cost of Issuance Fund. With respect to any series of Bonds, the Trustee will credit to the Cost of Issuance Fund the amount, if any, specified in the Supplemental Indenture providing for the issuance of such series of Bonds. Such Supplemental Indenture will create a separate Account within the Cost of Issuance Fund with respect to each series of Bonds.

Moneys in the Cost of Issuance Fund will be applied only to pay (or reimburse the Borrower for) the Bond Issuance Costs (as defined in the definition of “Eligible Costs of the Program”). Any moneys remaining in the Series 2013A Cost of Issuance Account on the earliest of (1) the date which is 90 days after the date of issuance of the Series 2013A Bonds, or (2) the Trustee’s receipt of a certification by the Borrower’s Representative that all Bond Issuance Costs have been paid, shall be transferred by the Trustee to the Bond Fund.

Program Fund. With respect to any series of Bonds, the Trustee will credit to the Program Fund the amount, if any, specified in the Supplemental Indenture providing for the issuance of such series of Bonds. Such Supplemental Indenture will create a separate Account within the Program Fund with respect to each series of Bonds.

Upon closing the Program Fund in accordance with the Loan Agreement, that portion of any remaining balance in the Program Fund constituting the largest Authorized Denomination available therein will be transferred to the Redemption Fund, and any remainder to the Bond Fund.

Revenue Fund. The Trustee will deposit all Intradistrict Aid when and as received into the Revenue Fund. The Trustee will transfer and apply the moneys in the Revenue Fund in the following order of priority:

First, for deposit into the Bond Fund — an amount which, when added to the amount then on deposit therein, is equal to all principal and interest scheduled to become due on the Bonds during the one-year period following such transfer.

Second, for payment ratably to the issuers of any Debt Service Reserve Fund Sureties — the amounts necessary to reimburse them (with interest to the extent provided for) for draws on the Debt Service Reserve Fund Sureties.

Third, for deposit into the Reserve Fund — an amount equal to the amount of any deficiency therein at the time of such transfer.

Fourth, for deposit into the Special Debt Service Reserve Fund — an amount equal to the amount of any deficiency therein at the time of such transfer.

Fifth, for payment to the State — the amount necessary to reimburse the State (with interest to the extent provided for) for any payments made by it pursuant to its Moral Obligation Pledge.

Sixth, for deposit into the Administrative Fund — the amount certified in a Borrower's Certificate filed with the Trustee as necessary to pay Administrative Expenses during the one-year period following the date of such transfer.

Seventh, for deposit to the Redemption Fund — the amount certified in a Borrower's Certificate filed with the Trustee as necessary to make any optional redemption payments of Bonds during the one-year period following the date of such transfer.

Eighth, for payment to the Borrower — an amount equal to the entire remaining balance in the Revenue Fund.

Bond Fund. With respect to any series of Bonds, the Trustee will credit to the Bond Fund, the amount, if any, specified in the Supplemental Indenture providing for the issuance of such series of Bonds. The Trustee will also deposit in the Bond Fund:

(a) The accrued interest, if any, described in the Supplemental Indenture providing for the issuance of such series of Bonds;

(b) All payments received under any Credit Enhancement Facility and required to be deposited into the Bond Fund pursuant to the terms of the Supplemental Indenture providing for the issuance of such series of Bonds;

(c) All payments from or for the account of the Borrower on the Promissory Notes (except prepayments of principal and premium, if any, thereon required to be deposited into the Redemption Fund) or pursuant to the Loan Agreement;

(d) Moneys required to be transferred to the Bond Fund from other Trust Funds or from Pledged Revenues in accordance with the Indenture; and

(e) Moneys required to be deposited into the Bond Fund pursuant to the terms of a Supplemental Indenture.

All moneys in the Bond Fund will be used solely for the payment of (1) interest on the Bonds and principal of the Bonds when due (whether at maturity, by acceleration or call for redemption or otherwise) and (2) the reimbursement to all Credit Facility Providers for payment of interest on the Bonds and principal on the Bonds pursuant to Credit Enhancement Facilities. The Issuer authorizes and directs the Trustee to withdraw sufficient moneys from the Bond Fund to pay the Bonds and the interest thereon as the same become due and payable and to reimburse all Credit Facility Providers for payments made pursuant to Credit Enhancement Facilities.

Any Supplemental Indenture providing for the issuance of any series of Bonds, the payment of which is to be provided pursuant to or secured by a Credit Enhancement Facility, will also provide for the creation of separate Accounts within the Bond Fund. Any payment received pursuant to such Credit Enhancement Facility will be deposited into such Accounts, and moneys deposited therein will be used only for the payment of Debt Service on Bonds of such series, or for such other purposes as may be permitted by such Supplemental Indenture, upon the conditions set forth in such Supplemental Indenture.

The Issuer covenants in the Indenture that it will deposit or cause to be deposited into the Bond Fund, but solely from Pledged Revenues amounts sufficient to pay when due the principal of and interest on the Bonds.

Redemption Fund. With respect to any series of Bonds, the Trustee will credit to the Redemption Fund, the amount, if any, specified in the Supplemental Indenture providing for the issuance of such series of Bonds. The Trustee will also deposit in the Redemption Fund:

(a) All prepayments of principal by the Borrower on the Loan or any Additional Loan pursuant to the Loan Agreement, together with the premium, if any, thereon;

(b) Moneys required to be transferred to the Redemption Fund from other Trust Funds in accordance with the Indenture; and

(c) Moneys required to be deposited into the Redemption Fund pursuant to the terms of a Supplemental Indenture.

The Issuer authorizes and directs the Trustee to (1) transfer funds from the Redemption Fund to the Bond Fund when and as required to pay, or reimburse a Credit Facility Provider for the payment of, the principal of any Bonds called for redemption in accordance with the Indenture (other than by payment of principal of any term bonds on a Sinking Fund Payment Date); (2) withdraw funds from the Redemption Fund to pay, or reimburse a Credit Facility Provider for the payment of, any premiums payable on Bonds called for redemption in accordance with the Indenture; and (3) transfer funds from the Redemption Fund to the Bond Fund to pay, or reimburse a Credit Facility Provider for the payment of, the final payment of principal on the Bonds at the last maturity thereof. Except to the extent moneys in the Redemption Fund are needed for the purposes described in the foregoing clauses (1) and (2), the Trustee is authorized to use moneys in the Redemption Fund for the purchase of Bonds for cancellation; provided that such purchases will be made only to the extent authorized by the Borrower in a Borrower's Certificate; and provided further that the purchase price for any Bond so purchased will not exceed the principal amount thereof plus any accrued and unpaid interest thereon. Such terms may be modified by a Supplemental Indenture providing for the issuance of such series of Bonds.

Special Debt Service Reserve Fund. With respect to each series of Bonds secured by the Moral Obligation Pledge, the Trustee will upon delivery to the initial purchasers thereof and from the proceeds thereof, or from other sources received for deposit into the Special Debt Service Reserve Fund in the form of cash or a Debt Service Reserve Fund Surety or a combination thereof which in the aggregate satisfy the Special Debt Service Reserve Fund Requirement, credit the Special Debt Service Reserve Fund the amount required to satisfy the Special Debt Service Reserve Fund Requirement. The Trustee will also transfer for deposit into the Special Debt Service Reserve Fund, when and as received any additional moneys which the Issuer or the Borrower may deliver to the Trustee from time to time with the instruction that such moneys be deposited into the Special Debt Service Reserve Fund. The Special Debt Service Reserve Fund will apply only to those series of Bonds which are secured by the Moral Obligation Pledge. All references to Bonds in this section relating to the Special Debt Service Reserve Fund means Bonds which are secured by the Moral Obligation Pledge.

If on any day on which the principal of, premium, if any, or interest on the Bonds becomes due, whether on an Interest Payment Date, at Maturity, upon redemption or acceleration or otherwise, the moneys in the Bond Fund are insufficient for making such payment, the Trustee will transfer amounts on deposit in the Special Debt Service Reserve Fund to the Bond Fund to be used to make such payments. Notwithstanding the foregoing, if the Trustee is holding a Debt Service Reserve Fund Surety, the Trustee will make a demand on such Debt Service Reserve Fund Surety in sufficient time to make such transfer to the Bond Fund for payment of principal or interest as it becomes due. If the Special Debt Service Reserve Fund is funded with cash and Qualified Investments and a Debt Service Reserve Fund Surety or multiple Debt Service Reserve Fund Sureties, the Trustee shall draw on the cash and Qualified Investments before any Debt Service Reserve Fund Surety, and if there are multiple Debt Service Reserve Fund Sureties, the Trustee shall draw ratably on each Debt Service Reserve Fund Surety.

All moneys in the Special Debt Service Reserve Fund and all proceeds from the Debt Service Reserve Fund Surety will be used solely for (1) the payment of principal and interest of the Bonds, (2) the payment of sinking fund payments with respect to the Bonds, (3) the purchase or redemption of the Bonds (excluding proceeds from the Debt Service Reserve Fund Surety) or (4) the payment of any premium required to be paid on the Bonds if the Bonds are redeemed prior to maturity. If money in the Special Debt Service Reserve Fund, or the redemption value of the Debt Service Reserve Fund Surety, is less than the Special Debt Service Reserve Fund Requirement, the moneys in the Special Debt Service Reserve Fund or the Debt Service Reserve Fund Surety cannot be used for any optional purchase or optional redemption of the Bonds.

If on a day on which the principal of or interest on the Bonds becomes due the moneys (excluding any Debt Service Reserve Fund Surety) in the Bond Fund and the Special Debt Service Reserve Fund equal or exceed the amount of all payments remaining of principal of and interest on the Bonds (assuming that Variable Rate Bonds bear interest at the maximum rate applicable thereto to the Final Maturity Date, or an earlier Redemption Date for which the Trustee has given notice of redemption or has been given irrevocable instructions to give such notice), the Trustee will transfer the monies in the Special Debt Service Reserve Fund to the Bond Fund to be used to make such payments.

The Trustee will compare the Special Debt Service Reserve Fund Requirement and the aggregate balance in the Special Debt Service Reserve Fund on the second Business Day of each month and on the date of any transfer of monies from the Revenue Fund. If on any such date (after any transfer from the Revenue Fund) the aggregate balance in the Special Debt Service Reserve Fund is below the Special Debt Service Reserve Fund Requirement, the Trustee will, within two Business Days, notify the Issuer and the Borrower in writing of such deficiency and, upon receipt thereof, the Issuer will forthwith certify to the Secretary, the Governor and the Joint Committee on Finance of the State of Wisconsin the amount necessary to restore the Special Debt Service Reserve Fund to the Special Debt Service Reserve Fund Requirement.

For the purpose of determining the balance in the Special Debt Service Reserve Fund, investments held therein will be valued at par, or, if purchased at less than par, at the cost thereof to the Issuer. A Debt Service Reserve Fund Surety will be valued at its stated redemption value.

Notwithstanding any other provision of the Indenture, if transferring any income or interest earned by, or increment to, the Special Debt Service Reserve Fund reduces the balance in the Special Debt Service Reserve Fund below the Special Debt Service Reserve Fund Requirement, any income

and interest from investment of the Special Debt Service Reserve Fund will be retained in the Special Debt Service Reserve Fund.

Reserve Fund. With respect to each series of Bonds not secured by the Moral Obligation Pledge, the Trustee will upon delivery to the initial purchasers thereof, and from the proceeds thereof or from other sources received for deposit into the Reserve Fund in the form of cash or a Debt Service Reserve Fund Surety or a combination thereof which in the aggregate satisfy the Debt Service Reserve Fund Requirement, credit the Reserve Fund the amount required to satisfy the Debt Service Reserve Fund Requirement. The Supplemental Indenture providing for the issuance of such series of Bonds shall create a separate Account within the Reserve Fund with respect to each series of Bonds. The Trustee will also transfer for deposit into the Reserve Fund, when and as received any additional moneys which the Issuer or the Borrower may deliver to the Trustee from time to time with the instruction that such moneys be deposited into the Reserve Fund. All references to Bonds in this section relating to the Reserve Fund means Bonds which are not secured by the Moral Obligation Pledge.

If on any day on which the principal of, premium, if any, or interest on the Bonds becomes due, whether on an Interest Payment Date, at Maturity, upon redemption or acceleration or otherwise, the moneys in the Bond Fund are insufficient for making such transfer to the Bond Fund for payment, the Trustee will transfer amounts on deposit in the Account of the Reserve Fund which relates to such series of Bonds to the Bond Fund to be used to make such payments. Notwithstanding the foregoing, if the Trustee is holding a Debt Service Reserve Fund Surety, the Trustee will make a demand on such Debt Service Reserve Fund Surety in sufficient time to make such transfer to the Bond Fund for payment of principal or interest as it becomes due.

All moneys in the Reserve Fund and all proceeds from the Debt Service Reserve Fund Surety will be used solely for (1) the payment of principal and interest of the Bonds, (2) the payment of sinking fund payments with respect to the Bonds, (3) the purchase or redemption of the Bonds or (4) the payment of any premium required to be paid on the Bonds if the Bonds are redeemed prior to maturity. If money in the Reserve Fund, or the redemption value of the Debt Service Reserve Fund Surety, is less than the Debt Service Reserve Fund Requirement, the moneys in the Reserve Fund or the Debt Service Reserve Fund Surety cannot be used for any optional purchase or optional redemption of the Bonds.

If on a day on which the principal of or interest on the Bonds becomes due the moneys (excluding any Debt Service Reserve Fund Surety) in the Bond Fund and the Reserve Fund equal or exceed the amount of all payments remaining of principal of and interest on the Bonds (assuming that Variable Rate Bonds bear interest at the maximum rate applicable thereto to the Final Maturity Date, or an earlier Redemption Date for which the Trustee has given notice of redemption or has been given irrevocable instructions to give such notice), the Trustee will transfer the monies in the Reserve Fund to the Bond Fund to be used to make such payments.

The Trustee will compare the Debt Service Reserve Fund Requirement and the balance in each Account within the Reserve Fund on the second Business Day of each month and on the date of any transfer of monies from the Revenue Fund. If on any such date (after any transfer from the Revenue Fund) the balance in any Account within the Reserve Fund is below the Debt Service Reserve Fund Requirement for the series of Bonds relating to such Account, the Trustee will, give notice to the Borrower, the Issuer and the City.

For the purpose of determining the balance in the Reserve Fund, investments held therein will be valued at par, or, if purchased at less than par, at the cost thereof to the Issuer. A Debt Service Reserve Fund Surety will be valued at its stated redemption value.

Notwithstanding any other provision of the Indenture, if transferring any income or interest earned by, or increment to, the Reserve Fund reduces the balance in the Reserve Fund below the Debt Service Reserve Fund Requirement, any income and interest from investment of the Reserve Fund will be retained in the Reserve Fund.

Administrative Fund. The Trustee will deposit in the Administrative Fund: (1) any moneys which the Borrower delivers to the Trustee from time to time with the instruction that such moneys be deposited into the Administrative Fund and (2) moneys required to be deposited into the Administrative Fund under the terms of the Indenture or any Supplemental Indenture.

The Trustee will disburse moneys from the Administrative Fund to pay Administrative Expenses. The Trustee will make payments from the Administrative Fund upon receipt of a Borrower's Certificate directing the Trustee to pay the Administrative Expenses in accordance with accompanying invoices, or other supporting documentation.

#### TRUST FUNDS HELD IN TRUST

All Trust Funds will be held in trust in the custody of the Trustee, subject to the provisions of the Indenture that permit disbursements from the Trust Funds. All moneys and securities held in Trust Funds will be subject to the first lien of the Indenture thereon and will not be subject to lien, attachment, garnishment or other claims or proceedings by other creditors of the Borrower or the Issuer.

#### PAYMENT OF PRINCIPAL AND INTEREST

The Issuer covenants under the Indenture that it will promptly pay the principal of, premium, if any, and interest on each Bond issued under the Indenture at the place, on the date and in the manner provided in said Bond according to the true intent and meaning thereof. The principal of, premium, if any, and interest on the Bonds are payable solely from the Pledged Revenues, and nothing in the Bonds or the Indenture will be considered as pledging any other funds or assets of the Issuer.

#### PERFORMANCE OF COVENANTS; AUTHORITY

The Issuer covenants under the Indenture that it will faithfully perform each and every undertaking, covenant, stipulation and provision contained in the Indenture and in each and every Bond executed, authenticated and delivered thereunder. The Issuer represents that it is duly authorized under the Constitution and laws of the State to issue the Bonds, to execute the Indenture and the Loan Agreement and to pledge the revenues described and pledged therein.

#### TAX-EXEMPT STATUS OF BONDS

The Issuer covenants under the Indenture that it will take no action which would cause an Event of Taxability, with respect to any tax-exempt Bonds issued under the Indenture.

## AMENDMENT OF REMARKETING AGREEMENTS

The Issuer will notify the Trustee and any related Credit Facility Provider in writing of any proposed amendments to any Remarketing Agreement. No such amendment will become effective unless and until (1) the Trustee consents in writing thereto, which consent will not be given unless the Trustee receives an opinion of Counsel that such amendment is required by a Credit Enhancement Facility or the Indenture or is not to the material prejudice of the Owners of the Bonds, and (2) any related Credit Facility Provider consents in writing thereto, which consent will not be unreasonably withheld, provided that no consent of any related Credit Facility Provider will be required if any related Credit Facility Provider receives an opinion of Counsel that such amendment is required by the Indenture.

## CREDIT ENHANCEMENT FACILITIES AND REMARKETING AGREEMENTS

The Issuer may give the Borrower consent from time to time to enable the Borrower to enter into or obtain the benefit of a Credit Enhancement Facility or a Remarketing Agreement with respect to any series of Bonds; provided that (1) a Supplemental Indenture is entered into in accordance with the Indenture, and (2) any such Credit Enhancement Facility or Remarketing Agreement satisfies any conditions specified in a prior Supplemental Indenture.

Notwithstanding anything in the Indenture to the contrary, any Supplemental Indenture authorizing the execution by the Borrower of a Credit Enhancement Facility or Remarketing Agreement may include provisions with respect to the application and use of all amounts to be paid thereunder, no amounts paid under any such Credit Enhancement Facility or Remarketing Agreement will be part of the Trust Estate except to the extent, if any, specifically provided in such Supplemental Indenture and no Beneficiaries will have any rights with respect to any such amounts so paid except as may be specifically provided in such Supplemental Indenture; Bonds of one or more series or any portions thereof may be secured by a pledge of any or all amounts payable pursuant to such Credit Enhancement Facility or Remarketing Agreement, in the manner and to the extent provided in such Supplemental Indenture.

## EVENTS OF DEFAULT

Any of the following events constitutes an Event of Default under the Indenture:

(d) Default in the due and punctual payment of the principal or purchase price of, premium, if any, or interest on any Bond whether at the Stated Maturity thereof, at the date fixed for prepayment thereof (including, but not limited to, Sinking Fund Payment Dates) or otherwise upon the maturity thereof; or

(e) The acceleration of the maturity of any Promissory Notes pursuant to the terms of the Loan Agreement; or

(f) Default in the performance or observance of any of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds contained and the continuance thereof for a period of 60 days after written notice given to the Issuer by the Trustee or to the Trustee and the Issuer by the Acting Beneficiaries Upon Default.

## ACCELERATION

(c) Upon the occurrence of an Event of Default set forth in paragraph (c) above, the Trustee may, with the written consent of any related Credit Facility Provider, and will upon the written request of the Acting Beneficiaries Upon Default, by notice in writing delivered to the Issuer and the Borrower, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable.

(d) Upon the occurrence of an Event of Default set forth in paragraph (b) above, or upon the continuance for two Business Days of the Event of Default set forth in paragraph (a) above relating to Events of Default, the Trustee will, by notice in writing delivered to the Issuer, the Other Beneficiaries and the Borrower, declare the principal of all Bonds then Outstanding and the accrued interest thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable.

(e) Upon the occurrence of an Event of Default set forth in paragraph (a) above relating to Events of Default, and without regard to the continuance thereof, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default will, by notice in writing delivered to the Issuer, the Other Beneficiaries and the Borrower, declare the principal of all Bonds then outstanding and the accrued interest thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable.

(f) Upon the acceleration of the maturities of Variable Rate Bonds, the Trustee will forthwith demand payment from any related Credit Facility Provider for the payment under the related Credit Enhancement Facility pursuant to the terms thereof in an amount sufficient to pay the principal of and interest on such Variable Rate Bonds (other than Pledged Bonds, as defined in the Supplemental Indenture providing for the issuance of such series of Variable Rate Bonds) to the expected payment date.

## REMEDIES

Upon the occurrence of an Event of Default, the Trustee (with the written consent of any related Credit Facility Provider in the case of Variable Rate Bonds) may, in addition to acceleration as described above, pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds or on any Promissory Note.

The Trustee, as beneficiary of any Credit Enhancement Facility, will enforce such of its rights thereunder as it deems necessary or appropriate. The Trustee, as an assignee of rights and interests of the Issuer in and to the Loan Agreement and the Promissory Notes, with the consent of the Other Beneficiaries in the case of rights under the Variable Rate Bonds, will enforce such of its rights and the rights of the Issuer thereunder as it deems necessary or appropriate. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee will take such action as, in the judgment of the Trustee applying the standards described in the Indenture, would best serve the interests of the Bondowners.

If an Event of Default has occurred, and if requested so to do by the Acting Beneficiaries Upon Default and if indemnified as provided in the Indenture, the Trustee will be obliged to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by

Counsel, deems most expedient in the interest of the Bondowners, subject to the rights of the Other Beneficiaries.

Notwithstanding any other provisions of the Indenture relating to defaults and remedies, if an "Event of Default" (as defined therein) occurs under any Credit Enhancement Facility or any Remarketing Agreement, and, as a result, the Other Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Beneficiary may exercise such remedies, including, without limitation, the termination of such agreement, as provided therein, in its own discretion; provided that the exercise of any such remedy will not adversely affect the legal ability of the Trustee or Acting Beneficiaries Upon Default to exercise any remedy available thereunder.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Beneficiaries) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Beneficiaries thereunder or now or thereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee pursuant to the provisions of the Indenture or by the Bondowners, will extend to or will affect any subsequent default or event of default or will impair any rights or remedies consequent thereon.

#### RIGHT OF ACTING BENEFICIARIES UPON DEFAULT TO DIRECT PROCEEDINGS

Anything in the Indenture to the contrary notwithstanding, the Acting Beneficiaries Upon Default will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that (1) such direction will not be otherwise than in accordance with the provisions of law and of the Indenture; (2) the Trustee will not determine that the action so directed would be unjustly prejudicial to the Owners of Bonds or Other Beneficiaries not taking part in such direction; and (3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such directions.

#### WAIVER OF CERTAIN RIGHTS

Upon the occurrence of an Event of Default, to the extent that such rights may then lawfully be waived, neither the Issuer nor anyone claiming through it or under it, will set up, claim or seek to take advantage of any moratorium, stay, extension or redemption laws now or hereafter in force to prevent or hinder the enforcement of the Indenture, but the Issuer for itself and all who may claim through or under it thereby waives, to the extent that it lawfully may do so, the benefit of all such laws to which it may be entitled by law.

## APPLICATION OF MONEYS

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture relating to defaults and remedies will, after, except as otherwise provided in a Supplemental Indenture, payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee (provided that no such costs or expenses may be taken or paid from any Credit Enhancement Facility proceeds), be deposited into the Bond Fund and all moneys held or deposited in the Bond Fund during the continuance of an Event of Default will be applied as follows, (except that moneys received with respect to Credit Enhancement Facilities will be applied only to the purposes for which such Credit Enhancement Facilities were provided, and will be so applied prior to the application of other moneys as provided in this discussion.)

(a) Unless the principal of all the Bonds Outstanding has become or will have been declared due and payable, all such moneys will be applied:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest including interest (to the extent permitted by law) on overdue installments of interest at the same rate(s) per annum as borne by such Bonds on the date such interest became due, and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest (to the extent permitted by law) on such Bonds from the respective dates upon which they became due at the same rate(s) per annum as borne by such Bonds on the date such principal became due and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal, with interest (to the extent permitted by law) on such principal from the respective dates on which such principal became due, due on such date, to the Persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the Persons entitled thereto of the unpaid premium, if any, on any of the Bonds which have been called for redemption, in the order of the Redemption Dates, with interest (to the extent permitted by law) on such premiums from the respective dates on which such premiums became due, and, if the amount available will not be sufficient to pay in full the premiums due on any particular Redemption Date, together with such interest, then to the payment ratably, according to the premium due on such date, to the Persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds have become due or have been declared due and payable, all such moneys will be applied first to the payment of the principal and interest then due and unpaid upon all of the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest, or of any Bond over any other Bond (regardless of series), ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege, and secondly to the payment of the

premium, if any, then due, ratably to the Persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds have been declared due and payable, and if such declaration will thereafter have been rescinded and annulled under the provisions of the Indenture relating to defaults and remedies, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied by the Trustee as described above, such moneys will be applied at such times from time to time as the Trustee determines, having due regard to 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 applies such funds, it will fix the date (which will be a regularly scheduled Interest Payment Date unless it deems another date more suitable or unless any related Credit Enhancement Facility requires an earlier payment 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 will cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit with it of such moneys and of the fixing of such date and will not be required to make payment to the Owner of any unpaid Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under the provisions described above and all fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid hereunder have been paid, any balance remaining in the Bond Fund will be paid to any related Credit Facility Provider to the extent of any amounts due it pursuant to any agreement pertaining to any related Credit Enhancement Facility, and thereafter to the Borrower.

#### REMEDIES VESTED IN TRUSTEE

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee will be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Beneficiary of the Bonds, and any recovery of judgment will, subject to the provisions of the Indenture relating to application of moneys, be for the equal and ratable benefit of all Beneficiaries in respect of which such judgment has been recovered.

#### RIGHTS AND REMEDIES OF BENEFICIARIES

Except as may be permitted in a Supplemental Indenture with respect to any Other Beneficiary, no Owner of any Bond or Other Beneficiary will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy unless (1) a default has occurred of which the Trustee has been notified or is deemed notified under the Indenture, (2) such default has become an Event of Default and the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding or any Other Beneficiary has made written request to the Trustee and has offered it reasonable opportunity either to proceed to exercise the powers before granted under the Indenture or to institute such action, suit or proceeding in its own name,

(3) such Beneficiary or Beneficiaries has offered to the Trustee indemnity under the Indenture and (4) the Trustee has thereafter failed or refused to exercise the powers before granted under the Indenture, or to institute such action, suit or proceeding in its own name.

#### WAIVERS OF EVENTS OF DEFAULT

The Trustee will waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the Owners of a majority in aggregate principal amount of all of the Bonds then outstanding; provided, however, that there will not be waived without the consent of the Owners of all the Bonds Outstanding and the Other Beneficiaries (1) any Event of Default in the payment of the principal or purchase price of any Outstanding Bonds at the date of maturity specified therein or at the date fixed for the redemption or purchase thereof, or (2) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) on overdue installments of interest at the same rate(s) per annum as borne by such Bonds, or all arrears of payments of principal, with interest (to the extent permitted by law) on overdue principal at the same rate(s) per annum as borne by such Bonds, as the case may be, and all expenses of the Trustee in connection with such default have been paid or provided for; and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Bondowners and the Other Beneficiaries will be restored to their former positions and rights hereunder respectively, but no such waiver or rescission will extend to any subsequent or other default, or impair any right consequent thereon.

#### OPPORTUNITY TO CURE DEFAULTS BY ISSUER

With regard to any alleged default by the Issuer under the Indenture, the Issuer names and appoints the Borrower (and with respect to any Variable Rate Bond the Borrower and any related Credit Facility Provider of such Variable Rate Bond or either of them) as its attorney-in-fact and agent with full authority to perform any covenant or obligation any failure in the performance of which is alleged to constitute a default by the Issuer, in the name and stead of the Issuer with full power to do any and all things and acts with power of substitution.

#### SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BENEFICIARIES

The Issuer and the Trustee may, from time to time and at any time, without the consent of, or notice to, any of the Bondowners or any Other Beneficiary (except to the extent, if any, required pursuant to a Supplemental Indenture authorizing the issuance of a series of Bonds), and when so required by the Indenture will, enter into an indenture or indentures supplemental to the Indenture as will not be inconsistent with the terms and provisions of the Indenture (which Supplemental Indenture or Indentures will thereafter form a part of the Indenture), so as to thereby (1) cure any ambiguity or formal defect or omission in the Indenture or in any Supplemental Indenture, (2) grant to or confer upon the Trustee for the benefit of the Beneficiaries any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Beneficiaries or the Trustee, (3) describe or identify more precisely any part of the Trust Estate or subject additional revenues, properties or collateral to the lien and pledge of the Indenture, (4) evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee under the Indenture, (5) authorize issuance of a series of

Bonds, subject to the requirements of the conditions to issuance of Additional Bonds in the Indenture) or (6) modify the Indenture (including deletions of or changes to provisions of the Indenture or additions to the Indenture or any combination of deletions, changes and additions) as required by any Credit Facility Provider or otherwise necessary to give effect to any Credit Enhancement Facility or Remarketing Agreement authorized to be issued under the Indenture, at the time of issuance of a series of Bonds to which such agreements relate; provided that no such modifications will be effective (1) if the consent of any Bondowners would be required therefor under the provisions contained in the paragraph below and such consent has not been obtained, or (2) if the Trustee determines that such modifications are to the prejudice of any Other Beneficiary.

#### SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BENEFICIARIES

Exclusive of Supplemental Indentures covered in the immediately preceding paragraph and subject to the terms and provisions contained in this paragraph, and not otherwise, the Indenture may be amended from time to time by a Supplemental Indenture consented to by the Borrower and approved by the Requisite Consent of Bondowners and each other Person which must consent to such Supplemental Indenture as provided in any then outstanding Supplemental Indenture authorizing the issuance of a series of Bonds; provided that no amendment will be made which affects the rights of some but less than all the Outstanding Bonds without the Requisite Consent of Bondowners so affected; and provided further that unanimous written consent of the Bondowners will be required for any amendment with respect to (1) the amount or due date of any principal, purchase price, premium or interest payment upon any Bonds, (2) the mandatory redemption provisions of any Bonds, (3) the optional and mandatory tender provisions of any Bonds and (4) the provisions of the Indenture relating to Supplemental Indentures and Amendments of Loan Agreement, Promissory Notes and Credit Enhancement Facilities.

If at any time the Issuer requests the Trustee to enter into any Supplemental Indenture for any of the purposes of the immediately preceding paragraph, the Trustee will, upon being satisfactorily indemnified with respect to expenses, mail a copy of the notice by first-class mail to each Owner of the Bonds and to each Other Beneficiary. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the Trustee's Principal Office for inspection by all Beneficiaries. If within six months following the giving of such notice, the execution of any such Supplemental Indenture has have been consented to and approved as herein provided, no Owner of any Bond or Beneficiary will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in the immediately preceding paragraph permitted and provided, the Indenture will be deemed to be modified and amended in accordance therewith.

#### CONSENT OF BORROWER AND ISSUER

No Supplemental Indenture will become effective unless the Issuer has consented in writing thereto, and no Supplemental Indenture which affects any rights of the Borrower will become effective unless and until the Borrower has consented in writing to the execution and delivery of such Supplemental Indenture.

## CONSENT OF CREDIT FACILITY PROVIDERS AND REMARKETING AGENTS

So long as any Credit Enhancement Facility or Remarketing Agreement is in effect, (1) no Supplemental Indenture which materially adversely affects the rights, duties or immunities of any related Credit Facility Provider or Remarketing Agent, the Credit Enhancement Facility or a Remarketing Agreement will become effective unless and until delivery to the Trustee of a written consent of any related Credit Facility Provider or a Remarketing Agent, as required, to such Supplemental Indenture, and (2) the Trustee will promptly furnish to the Credit Facility Provider and the Remarketing Agent a copy of each Supplemental Indenture.

## OPINION REQUIRED PRIOR TO EXECUTION OF SUPPLEMENTAL INDENTURE

No Supplemental Indenture will be executed unless, prior to the execution thereof, the Issuer has provided to the Trustee an opinion of Bond Counsel to the effect that the execution and delivery of such Supplemental Indenture will not cause an Event of Taxability.

## AMENDMENTS NOT REQUIRING CONSENT OF BENEFICIARIES

The Issuer and the Trustee may without the consent of or notice to the Bondowners or any Other Beneficiary (except to the extent if any, required pursuant to such Loan Agreement or any related Credit Enhancement Facility or a Supplemental Indenture authorizing the issuance of a series of Bonds) agree to any amendment, supplement change or modification of the Loan Agreement, any Promissory Note or any related Credit Enhancement Facility in connection with any change therein for any of the following purposes:

(a) to add additional covenants of the Borrower or Other Beneficiaries, as the case may be, or to surrender any right or power therein conferred upon the Borrower or Other Beneficiaries, as the case may be, or to add additional security for the performance of their respective obligations;

(b) authorize issuance of additional Promissory Notes and Loans under the Loan Agreement which correspond to additional series of Bonds created under a Supplemental Indenture that does not require consent of Beneficiaries; and

(c) to make such other provisions in regard to matters or questions arising thereunder as is not inconsistent with the provisions of the Indenture and will not, in the judgment of the Trustee, adversely affect the interests of the Owners of the Bonds or Other Beneficiaries.

## AMENDMENTS REQUIRING CONSENT OF BENEFICIARIES

Except for amendments, changes or modifications as provided in the immediately preceding paragraph, neither the Issuer nor the Trustee will consent to any amendment of the Loan Agreement, any Promissory Note or any Credit Enhancement Facility without the giving of notice and the Requisite Consent of Bondowners and each other Person which must consent to such amendment as provided in the then outstanding Loan Agreement, Promissory Note or Credit Enhancement Facility; provided, that no amendment will be consented to which affects the rights of some but less than all the Outstanding Bonds without the Requisite Consent of Bondowners so affected; and provided further that the Trustee will not without the unanimous written consent of the Bondowners consent to any amendment which would (1) decrease the amounts payable on any Credit Enhancement Facility or any Promissory Note, (2) change the date of payment of principal

of or premium or interest on any Promissory Note, or (3) change the section of the Loan Agreement that relates to the Borrower's limited obligation to make payments to the Trustee in an amount sufficient to pay the principal and interest on the Bonds.

#### CONSENT OF BORROWER AND CREDIT FACILITY PROVIDER

No amendment, change or modification under the Indenture relating to amendments of the Loan Agreement, the Promissory Notes and the Credit Enhancement Facility which affects any rights or obligations of the Borrower will become effective unless and until the Borrower has consented in writing thereto. No amendment, change or modification under the Indenture relating to amendments of the Loan Agreement, the Promissory Notes and the Credit Enhancement Facility which affects any rights or obligations of any related Credit Facility Provider will become effective unless and until such Credit Facility Provider has consented in writing thereto.

#### DISCHARGE

If the Issuer pays or causes to be paid the principal, premium, if any, and interest due or to become due on any Bond at the times and in the manner stipulated therein, and if the Issuer is not in default in any of the covenants and promises in such Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, and pays or cause to be paid to the Trustee all sums of money due or to become due according to the provisions thereof, then the Indenture and the estate and rights granted will cease, terminate and be void, whereupon the Trustee will cancel and discharge the lien of the Indenture and execute and deliver to the Issuer such instruments in writing as will be requisite to cancel and discharge the lien of the Indenture, and reconvey, release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all property conveyed, assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee in separate segregated trust accounts pursuant to nonpresentment of Bonds and any Supplemental Indenture for the payment of the principal of, premium, if any, and interest on unrepresented Bonds or the purchase of Untendered Bonds (as defined in the Supplemental Indenture creating such series of Bonds).

Any Bonds will be deemed to be paid within the meaning of the immediately preceding paragraph when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise) either (1) has been made in accordance with the terms of the Indenture or (2) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (a) moneys sufficient to make such payment or (b) Government Obligations not redeemable at the option of the Issuer or anyone acting on its behalf, maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees and expenses of the Trustee pertaining to the Bond with respect to which such deposit is made. At such time as a Bond is deemed to be paid under the Indenture as aforesaid, it will no longer be deemed to be Outstanding under the Indenture and will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, no deposit under clause (2) of the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until:

(a) The deposit has been made under the terms of an escrow trust agreement in form and substance satisfactory to the Trustee consistent herewith, which will identify the Bonds covered thereby;

(b) In the case of an escrow trust deposit with respect to Bonds subject to redemption prior to maturity at the option of the Borrower, the Borrower has delivered a Borrower's Certificate designating when such Bonds are to be paid or redeemed under the terms of such escrow trust agreement;

(c) In case of Bonds which are to be redeemed prior to maturity from such escrow trust deposit, a redemption notice meeting the requirements of the Indenture and stating that such Bonds are being redeemed from a deposit made pursuant to the requirements for discharge under the Indenture either (1) has been given, or (2) has been provided for by delivery to the Trustee of irrevocable instructions for the giving of such notice;

(d) The Trustee has been furnished with an opinion of Bond Counsel to the effect that the payment of the Bonds in accordance with said escrow trust agreement will not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof and will not cause the Bonds to be classified as "arbitrage bonds" under Section 148 of the Internal Revenue Code; and

(e) The Trustee has given notice of such deposit to the Owner of each such Bond at the address shown on the Bond Register.

Notwithstanding any provision of any other Article of the Indenture which may be contrary to the provisions described above, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of the provisions described above for the payment of Bonds (including interest and premium thereon, if any) will be applied to and used solely for the payment of the particular Bonds (including interest and premium thereon, if any) with respect to which such moneys and Government Obligations have been so set aside in trust.

#### PERMITTED INVESTMENT OF TRUST FUNDS

Moneys held in the Trust Funds will be separately invested and reinvested by the Trustee in accordance with the Indenture and the Loan Agreement. Each investment will be held by or under the control of the Trustee and will be deemed at all times to be part of the particular Trust Fund in which such moneys were held. Income and interest from any such investment will be credited to the Trust Fund for whose account the investment was made except that, in the case of the Cost of Issuance Fund, such income and interest will be credited to the Program Fund and in the case of the Reserve Fund and the Special Debt Service Reserve Fund, such income and interest will be credited to the Bond Fund. Any net loss realized and resulting from any such investment will be charged to the particular Trust Fund for whose account the investment was made.

All such investments and reinvestments will be made in Qualified Investments having a maturity not later than the estimated time when the moneys so invested will be needed for the purposes of the Trust Fund of which they are a part. Moneys in the Bond Fund will be invested only in

Government Obligations. Moneys in the Reserve Fund and the Special Debt Service Reserve Fund will be invested only in Qualified Investments having a maturity date of one year or less.

The Trustee may make and execute any such investment through its own bond department, money center or other investment operation or through the bond department, money center or investment operation of any affiliated bank.

#### ARBITRAGE

The Issuer covenants under the Indenture that it will take no action to permit any investment or other use of the proceeds of the Bonds which would cause any Bond to be classified as an "arbitrage bond" within the meaning of Section 148 the Internal Revenue Code or any proposed, temporary or final regulations issued thereunder.

In the event the Issuer or the Borrower is of the opinion (supported by an opinion of Bond Counsel) that it is necessary or advisable to restrict or limit the yield on the investment of any moneys held in any Trust Fund in order to avoid the Bonds being considered "arbitrage bonds" within the meaning aforesaid, the Issuer may (and will if so requested by the Borrower) issue to the Trustee a written certificate to such effect together with appropriate written instructions, in which event the Trustee will take such action as is necessary so to restrict or limit the yield on such investment in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion.

### THE LOAN AGREEMENT

*The following, in addition to information provided elsewhere in this Official Statement, summarizes certain provisions of the Loan Agreement entered into between the Borrower and the Issuer, to which reference is made for a full and complete statement of the provisions thereof.*

#### SERIES 2013A LOAN

The Issuer will, upon the terms and conditions of the Loan Agreement, lend to the Borrower the proceeds of the Series 2013A Bonds for the purpose of refunding the Series 2002A Bonds, and the Series 2003A Bonds.

#### PROVISION FOR REVENUES TO PAY THE SERIES 2013A BONDS

Concurrently with or preceding the issuance of the Series 2013A Bonds, the Borrower will execute and deliver the Series 2013A Promissory Note to the Issuer for assignment to the Trustee as evidence of the Borrower's obligation to repay the Series 2013A Loan and to provide the Issuer with revenues sufficient to pay the Series 2013A Bonds in accordance with their terms solely from the proceeds of Intradistrict Aid.

#### PLEDGE OF INTRADISTRICT AID

The Borrower pledges, assigns, hypothecates and transfers to the Issuer, all of the Borrower's right, title and interest in and to the Intradistrict Aid, and grants to the Issuer a lien on, and security interest in, its right, title and interest in and to Intradistrict Aid, the interest thereon and all proceeds thereof, as collateral security for the prompt and complete payment when payable

from time to time by the Borrower of all amounts payable under the Loan Agreement. The pledge is for the equal and ratable benefit and security of all Promissory Notes issued and to be issued under the Loan Agreement. The Borrower agrees to do all things necessary to remain eligible to receive Intradistrict Aid in an amount sufficient to pay principal and interest on all Outstanding Bonds. Pursuant to the Agreement dated as of February 14, 2002, by and among the State Department of Administration, acting on behalf of the State, the Department of Public Instruction, acting on behalf of the State, the Borrower, and the Issuer, the Borrower agrees to cause the Department of Public Instruction to cause the Department of Administration to deposit all Intradistrict Aid the Borrower is entitled to receive directly to the Trustee.

#### PLEDGE AND ASSIGNMENT TO TRUSTEE

Simultaneously with the delivery of the Loan Agreement, the Issuer will pledge and assign to the Trustee under the Indenture all of the Issuer's right, title and interest in and to the Promissory Notes, the Intradistrict Aid, the Loan Agreement and all of the Issuer's rights to receive payments thereunder and hereunder; provided, however, that the Issuer reserves the right to enforce the Unassigned Rights in its own name and for its own account. The Borrower consents to such pledge and assignment and agrees that the Trustee may enforce any and all rights, privileges and remedies of the Issuer (other than Unassigned Rights) under or with respect to the Promissory Notes, the Intradistrict Aid and the Loan Agreement.

#### LIMITED OBLIGATION TO PROVIDE THE ISSUER WITH REVENUES

The Borrower agrees to make payments to the Trustee (for the account of the Issuer) in lawful money of the United States of America and in such amounts and at such times (if not sooner required under the terms of the Loan Agreement) as is necessary to enable the Trustee to make full and prompt payment when due (whether at stated maturity, upon redemption prior to stated maturity or upon acceleration of stated maturity), of the principal of, premium, if any, and interest on all Bonds issued or to be issued under the Indenture. The obligation of the Borrower to make the payments required by the Loan Agreement will be limited, as provided in the Loan Agreement; and until such time as the principal of, premium, if any, and interest on the Bonds is paid or provided for in accordance with the Indenture, the Borrower: (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in the Loan Agreement; (ii) will perform and observe all its other agreements contained in the Loan Agreement; and (iii) will not terminate the Loan Agreement for any cause including without limiting the generality of the foregoing, failure of the Program. Nothing contained in this paragraph will be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement and if the Issuer fails to perform any such agreement on its part, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance, provided that no such action violates the agreements on the part of the Borrower contained in this paragraph, or diminish the amounts required to be paid by the Borrower pursuant to this paragraph. See "SUMMARY OF PRINCIPAL BOND DOCUMENTS-The *Loan Agreement-Source of Payment for the Loan*" herein.

#### AMENDMENTS TO PROGRAM

The Borrower has the right to amend its Program as the Borrower deems necessary or desirable; provided, however that no amendment to the Program will (i) adversely affect the legality of the Series 2002A Bonds, the Series 2003A Bonds, and the Series 2013A Bonds or the

exclusion of interest thereon from gross income under Section 103(a) of the Internal Revenue Code, (ii) to the best knowledge of the Borrower, violate the Establishment Clause of the First Amendment to the Constitution or (iii) be inconsistent with the Loan Agreement regarding representations for the benefit of the Issuer described below.

#### ADDITIONAL BONDS

Subject to the condition precedents listed below, the Issuer may issue Additional Bonds from time to time to fund Additional Loans to the Borrower for any or a combination of the following purposes:

(a) "Program Purposes," namely to finance the costs of completing the Program in the event the proceeds of the Series 2002A Bonds, issued to finance the Program are insufficient and to finance (including the funding of temporary borrowings) the acquisition, construction or installation of land or depreciable property or leasehold interest in depreciable property to further the Program;

(b) "Refunding Purposes," namely to fund, refund or advance refund any one or more series of Outstanding Bonds; and

(c) to pay the financing, legal, accounting, printing and other costs incidental to the issuance and sale of the Additional Bonds.

The Borrower acknowledges in the Loan Agreement that the Issuer has not committed itself to issue any Additional Bonds or to make any Additional Loans. However, subject to the conditions specified in the paragraph below, the Issuer agrees in the Loan Agreement to give prompt and good faith consideration to each request of the Borrower under the Loan Agreement.

#### CONDITIONS PRECEDENT

The Issuer will not issue any Additional Bonds and will not make any Additional Loan unless:

(a) Each condition specified in the Indenture for the issuance of Additional Bonds has been satisfied; and

(b) The Borrower and the Issuer have entered into a Supplemental Loan Agreement providing for the Additional Loan; and

(c) The Borrower has evidenced the Additional Loan by the execution and delivery of a Promissory Note which corresponds to the Additional Bonds and the Additional Loan in the same manner that the Series 2002A Promissory Note corresponds to the Series 2002A Bonds and the Series 2002A Loan; and

(d) The Borrower has furnished evidence satisfactory to the Issuer and the Trustee of the due authorization for the borrowing represented by the Additional Loan.

## OPTIONAL PREPAYMENT OF THE SERIES 2013A LOANS

### Determination of Taxability

At the option and direction of the Borrower, the Series 2013A Loan may be prepaid in whole or in part, on any date, upon a Determination of Taxability. To exercise such option, the Borrower shall give notice to the Issuer and the Trustee at least 45 days prior to the date specified therein as the redemption date. Such notice shall refer to the appropriate section of the Loan Agreement, shall state the principal amount of the prepayment, and shall direct the redemption of a like principal amount of Series 2013A Bonds pursuant to the Fourth Supplemental Indenture on a specified authorized redemption date for which the notice of Redemption required by the Indenture can be given. The redemption price for any such redemption shall be 100% of the principal amount of the Series 2013A Bonds or portions thereof so redeemed, plus accrued interest to the Redemption Date, and without premium.

If less than all Outstanding Series 2013A Bonds are to be so redeemed, the aggregate principal amount available for redemption will be allocated among the various Maturities of Outstanding Series 2013A Bonds in the proportions (as nearly as practicable given the minimum authorized denomination) that the principal amount of Outstanding Series 2013A Bonds of each particular maturity bears to the aggregate principal amount of all Outstanding Series 2013A Bonds. If less than all Outstanding Series 2013A Bonds of a particular maturity are to be so redeemed, the particular Series 2013A Bonds or portions thereof of such maturity to be redeemed shall be selected by the Trustee by lot or by such other random means as determined by the Borrower.

## OPTIONAL PREPAYMENT OF ADDITIONAL LOANS

Additional Loans may be prepaid at the option of the Borrower upon such terms as will be specified in the Supplemental Loan Agreements relating thereto. Such terms need not parallel the optional prepayment provisions applicable to the Series 2013A Loan as set forth in the Third Supplemental Loan Agreement, and such terms need not require a ratable allocation of prepayments among the Promissory Notes.

## DEPOSIT OF PREPAYMENTS IN REDEMPTION FUND

All prepayments of principal on the Loan or any Additional Loan together with the premium, if any, will be deposited by the Trustee when received into the Redemption Fund. The accrued interest paid in connection with any such prepayment will be deposited into the Bond Fund.

## PURCHASE AND CANCELLATION OF BONDS

The Borrower will have the right to purchase any Outstanding Series 2013A Bond and deliver it to the Trustee for cancellation. Also, the Trustee may purchase any Outstanding Series 2013A Bond for cancellation in accordance with the Indenture. Any such purchase and cancellation of a Series 2013A Bond will ipso facto reduce the unpaid principal balance of the Series 2013A Loan on the date of such cancellation by an amount equal to the unpaid principal amount of such Series 2013A Bond. Any such purchase and cancellation of an Additional Bond

will be credited against the related Additional Loan and Promissory Note in the manner and to the extent specified in the related Supplemental Loan Agreement.

#### CORRESPONDING REDEMPTION OF BONDS

All authorized prepayments of the Series 2013A Loan and the Series 2013A Promissory Note shall be applied to a corresponding redemption of the Series 2013A Bonds. Similarly, all prepayments of an Additional Loan (and thus of the Promissory Note evidencing such additional Loan) will be applied to a corresponding redemption of the related Additional Bonds.

#### ACCURACY OF PROGRAM DESCRIPTION AND PROGRAM BUDGET

The Borrower in the Loan Agreement represents that the description of the Program as set forth in the Loan Agreement is accurate in all material respects, that the budget for the Program as set forth in the Loan Agreement is an accurate summary of the Borrower's best estimates, respectively, of the total costs and the Eligible Costs of the Program, except as otherwise specifically indicated in the Loan Agreement.

#### LEGAL EXISTENCE AND AUTHORIZATIONS

The Borrower represents in the Third Supplemental Loan Agreement that it is a body politic duly organized and validly existing under the laws of the State of Wisconsin and that it has obtained all authorizations necessary on its part for the due and valid execution and delivery of the Third Supplemental Loan Agreement and the Series 2013A Promissory Note and the pledge of the Intradistrict Aid, and the assumption of the obligations represented thereby.

#### REGULATORY APPROVALS

The Borrower represents in the Third Supplemental Loan Agreement that no authorization, approval, consent or license of any governmental regulatory body or authority, not already obtained, is required for the valid and lawful execution and delivery the Loan Agreement, the Series 2013A Promissory Notes and the pledge of the Intradistrict Aid by the Borrower or the assumption of the obligations of the Borrower represented thereby.

#### INTRADISTRICT AID

The Borrower represents in the Third Supplemental Loan Agreement that it is eligible for Intradistrict Aid and it knows of no facts that would disqualify it from receiving Intradistrict Aid.

#### PAYMENT OF PROMISSORY NOTES

The Borrower agrees in the Loan Agreement to make the principal, premium, if any, and interest payments on the Promissory Notes in the manner and amounts and the times and places specified solely from proceeds of Intradistrict Aid.

## SOURCE OF PAYMENT FOR THE LOANS

The obligations of the Borrower under the Loan Agreement and the Promissory Notes are limited obligations of the Borrower payable solely from Intradistrict Aid, and such obligations are not a debt of the Borrower, the City, the Issuer or the State within the meaning of any State constitutional provision, statutory limitation or charter provision or limitation.

## MORAL OBLIGATION PLEDGE

The Borrower agrees in the Loan Agreement not to take any action that would in any way adversely affect the Moral Obligation Pledge.

## INSURANCE

The Borrower agrees in the Loan Agreement, both generally and specifically with respect to the Program, that it will insure against such risks in such amounts as the Borrower customarily insures its property.

## TAX STATUS OF SERIES 2002A BONDS, SERIES 2003A BONDS, SERIES 2007A BONDS AND SERIES 2013A BONDS

It is intended that the interest on the Series 2002A Bonds, the Series 2003A Bonds, the Series 2007A Bonds, and the Series 2013A Bonds be excluded from gross income for Federal income taxation purposes pursuant to Section 103(a) of the Internal Revenue Code. The Borrower agrees in the Loan Agreement that it will take no action which would (and will omit no action the omission of which would) cause an Event of Taxability.

## ACCOUNTING RECORDS; FINANCIAL STATEMENTS

The Borrower agrees in the Loan Agreement to maintain a system of accounting in accordance with generally accepted accounting principles. Further, the Borrower agrees to maintain a system of Project accounts consistent with the American Institute of Architects Standard Chart of Accounts or, alternatively, another organized chart of Project accounts acceptable to the Issuer and the City Comptroller of the City of Milwaukee, Wisconsin.

The Borrower further agrees to furnish to the Issuer (for its inspection):

(a) A Quarterly Summary Schedule of Program Disbursements and Sources: A summary of disbursements and sources for all eligible Program activities from the Program's inception-to-date. Such disbursements shall be classified by type, according to the summary components presented in the Program Budget. The report will show a comparison of the Program Budget to the total of actual disbursements to date plus a current estimate of the cost-to-complete for each summary component included in the Program Budget. As appropriate, the report will also present these same component totals according to funding source.

(b) A Quarterly Schedule of Project & Non-Project Disbursements and Sources: A listing of disbursements and sources for each Project and non-Project item for the Program from inception-to-date. Such disbursements will be listed for each Project and non-Project item consistent with the Program Budget. For each Project and non-Project item, the

listing will show a comparison of the budgeted amount to the total of actual disbursements to date plus an estimate of the cost-to-complete the listed project. Where a Project or non-Project item includes sources other than Loan proceeds, the listing will also present the same disbursement totals according to funding source. The totals of this quarterly schedule will be consistent with the totals shown in the quarterly summary schedule of (a) above.

Any Beneficiary may inspect such reports at the Issuer's address. In addition, the Issuer agrees that upon written request it will furnish the foregoing reports to (i) any owner of more than 10% of the Outstanding Bonds, (ii) each investment banking firm which was an original purchaser of Bonds, (iii) any Other Beneficiary, and (iv) each Rating Agency.

#### EVENTS OF DEFAULT

If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default" under and for purposes of the Loan Agreement:

(d) Default in the due and punctual payment of any installment of principal or of any payment of interest or premium on any Promissory Note;

(e) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Borrower in the Loan Agreement contained and the continuance thereof for a period of 30 days after receipt by the Borrower of written notice (from the Issuer, the Trustee or the Owners of at least 10% in aggregate principal amount of the Bonds at the time Outstanding) specifying such default and requesting that it be cured; provided, however, that if the default is capable of being cured, but not within such 30 day period, such default shall not become an Event of Default if the Borrower institutes reasonable corrective action within such period and pursues such action diligently until such default is cured; or

(f) An "event of default" (as defined therein) shall have occurred under the Indenture.

#### ACCELERATION

If an Event of Default shall occur, the Trustee (or the Issuer with the consent of the Trustee) may, by written notice to the Borrower, declare the entire outstanding principal balance of the Promissory Notes together with all interest accrued thereon (to the date of such acceleration) to be immediately due and payable; and such principal and interest shall thereupon become and be immediately due and payable.

#### REMEDIES

If an Event of Default shall occur, the Issuer or the Trustee may pursue any available remedy at law or in equity to realize the payment of the principal of, premium, if any, and interest on the Promissory Notes.

Any amounts collected pursuant to action taken under this section shall be paid to the Trustee and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), shall be paid to the Borrower.

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**APPENDIX D**

**FORM OF OPINION OF CO-BOND COUNSEL**

May 6, 2013

The Board of Commissioners of the  
Redevelopment Authority of the City of  
Milwaukee, Wisconsin

Dear Members:

We have examined a record of proceedings relating to the issuance of \$45,570,000 aggregate principal amount of Refunding Revenue Bonds, Series 2013A (Milwaukee Public Schools-Neighborhood Schools Initiative) (the “Bonds”) of the Redevelopment Authority of the City of Milwaukee, Wisconsin, a body corporate and politic of the State of Wisconsin (the “Authority”) duly organized and existing under Section 66.1333 of the Wisconsin Statutes (the “Act”). The Bonds are authorized and issued under and pursuant to the Act and by virtue of Resolution Number 10359 adopted by the Board of Commissioners of the Authority on June 21, 2012 (the “Bond Resolution”). The Bonds are issued and secured under the Indenture of Trust dated as of February 1, 2002, as amended and supplemented (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as further supplemented by the Fourth Supplemental Indenture of Trust dated as of May 1, 2013 (the “Fourth Supplemental Indenture”) by and between the Authority and the Trustee.

The Bonds are issued on behalf of the Milwaukee Board of School Directors, a body politic of the State of Wisconsin duly organized and existing under Chapter 119 of the Wisconsin Statutes (the “Borrower”).

The Bonds are dated May 6, 2013 and bear interest from their date payable on August 1, 2013 and semiannually thereafter on each February 1 and August 1. The Bonds mature on August 1 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$ 1,040,000	2.00 %
2014	5,130,000	3.00
2015	5,550,000	4.00
2016	6,010,000	4.00
2017	6,530,000	5.00
2018	7,120,000	5.00
2019	7,740,000	5.00
2020	3,100,000	5.00
2021	3,350,000	5.00

The Bonds are subject to redemption prior to maturity at the option of the Borrower, on any date following the date of a “Determination of Taxability”, as defined in the Indenture, as a whole, or in part, and if in part pro-rata among the various maturities of the Bonds and by lot within a maturity, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, and without premium.

Pursuant to the Indenture, the Authority has previously issued bonds (the “Outstanding Bonds”) that are currently outstanding. The Bonds, the Outstanding Bonds and all additional bonds hereafter issued under the Indenture (collectively, the “Parity Bonds”) will be entitled equally to the benefit and security under the Indenture of the assignment and pledge of revenues and payments (the “Loan Repayments”) to be made by the Borrower under the Loan Agreement dated as of February 1, 2002 by and between the Authority and the Borrower, as amended and supplemented (the “Loan Agreement”) and as further supplemented by the Third Supplemental Loan Agreement dated as of May 1, 2013 (the “Third Supplemental Loan Agreement”) by and between the Authority and the Borrower. Under the Loan Agreement the Borrower has agreed to fund the Loan Repayments solely from

Intradistrict Aid payments to be received from the State of Wisconsin pursuant to Section 121.85(6)(a)(am) and (ar) of the Wisconsin Statutes.

The Bonds are not, and do not constitute an indebtedness of the Authority within the meaning of any Wisconsin constitutional provisions or statutory debt limitation. The Bonds are not an indebtedness of the City of Milwaukee or the Borrower and do not constitute a charge against the general credit or taxing powers of the City of Milwaukee or the Borrower. The Bonds are not entitled to the moral obligation pledge of the State of Wisconsin.

Based upon our examination of said record of proceedings including the opinions, certifications and statements of facts and expectations contained in said record of proceedings, we are of the opinion that:

**1.** The Authority has all requisite power and authority under the Constitution and the laws of the State of Wisconsin to adopt the Bond Resolution, to enter into the Loan Agreement and the Third Supplemental Loan Agreement, to enter into the Indenture and the Fourth Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Resolution, the Loan Agreement, the Third Supplemental Loan Agreement, the Indenture and the Fourth Supplemental Indenture in those respects.

**2.** The Loan Agreement, the Third Supplemental Loan Agreement, the Indenture and the Fourth Supplemental Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

**3.** The Loan Agreement and the Third Supplemental Loan Agreement have been duly authorized, executed and delivered by the Borrower and constitute valid and binding contractual obligations of the Borrower enforceable in accordance with their terms.

**4.** The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and the Fourth Supplemental Indenture, and are enforceable in accordance with their terms.

**5.** The Bonds are payable solely from the Loan Repayments and other moneys and securities pledged therefor under the Indenture and the Fourth Supplemental Indenture. The Indenture and the Fourth Supplemental Indenture create a valid assignment and pledge of the Loan Repayments and other moneys and securities held thereunder for the benefit and security of the Bonds, as Parity Bonds, subject to application thereof in the manner provided in the Indenture and the Fourth Supplemental Indenture.

**6.** The Internal Revenue Code of 1986 (the "Code") contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes 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 and tax ownership of the property financed with the proceeds of the Bonds. The Authority has covenanted in the Fourth Supplemental Indenture to comply with these requirements. In addition, the Authority and the Borrower have covenanted in the Tax Compliance Agreement dated as of May 6, 2013 (the "Tax Agreement"), among the Authority, the Borrower and the Trustee to comply with these requirements.

**7.** 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 requirements of the Code described in the preceding paragraph, 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 the Bonds are "qualified 501(c)(3) bonds" within the meaning of Section 145(a) of the Code. Accordingly, 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 must be taken into account, however, when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

**8.** Pursuant to the Act, the Bonds, together with the interest thereon and income therefrom are exempt from present Wisconsin income taxes. However, interest on and income from the Bonds are includable in the measure of tax for Wisconsin corporate franchise tax purposes.

In rendering the opinions contained in the preceding paragraphs, we have relied upon representations and covenants contained in the Tax Compliance Agreement with respect to certain facts that are solely within the Authority's and the Borrower's knowledge relating to, among other things, the nature and uses of the property financed or refinanced with the proceeds of the Bonds; as well as the certificates of HR Academy, Inc., Boys & Girls Clubs of Greater Milwaukee, Inc., and Career Youth Development Inc. (the "501(c)(3) Organizations") with respect to their status as 501(c)(3) organizations under the Code, and the use and ownership of property financed with proceeds of the Bonds.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Loan Agreement, the Third Supplemental Loan Agreement, the Indenture, and the Fourth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

LG:be

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

**\$45,570,000**

**Redevelopment Authority of the City of Milwaukee (Wisconsin)  
Refunding Revenue Bonds, Series 2013A  
(Milwaukee Public Schools - Neighborhood Schools Initiative)**

### CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT, dated as of May 6, 2013, is by and between the MILWAUKEE BOARD OF SCHOOL DIRECTORS (“MPS”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the “Trustee”), in connection with the issuance of the 2013A Bonds (defined below). The 2013A Bonds are being issued under and secured by an Indenture of Trust dated as of February 1, 2002 (the “*Indenture of Trust*”) and a Fourth Supplemental Indenture of Trust dated as of May 1, 2013 (collectively with the Indenture of Trust, the “*Indenture*”) between the Redevelopment Authority of the City of Milwaukee (the “*Issuer*”) and the Trustee. The proceeds of the 2013A Bonds are being made available to MPS pursuant to a Loan Agreement dated as of February 1, 2002 and a Third Supplemental Loan Agreement dated as of May 1, 2013 between the Redevelopment Authority of the City of Milwaukee (the “*Issuer*”) and MPS. This Agreement is being executed and delivered by MPS and the Trustee for the benefit of the 2013A Bondowners and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below) and constitutes the written undertaking of MPS for the benefit of the holders of the 2013A Bonds. The Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any 2013A Bondowner, with respect to any such reports, notices or disclosures.

NOW, THEREFORE, in consideration of the premises and the promises contained herein, and other good and valuable consideration, MPS and the Trustee agree as follows:

**1. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*2013A Bonds*” shall mean \$45,570,000 Redevelopment Authority of the City of Milwaukee (Wisconsin) Refunding Revenue Bonds, Series 2013A (Milwaukee Public Schools – Neighborhood Schools Initiative).

“*Annual Information Report*” shall mean any Annual Information Report provided by MPS pursuant to, and as described in, Section 2 of this Agreement.

“*Disclosure Representative*” shall mean the Superintendent of MPS, or his designee, or such other person as MPS shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean any dissemination agent designated in writing by MPS and which has filed with MPS (with a copy to the Trustee) a written acceptance of such designation.

“*EMMA*” means the MSRB through its Electronic Municipal Market Access system or any other format prescribed by the MSRB.

“*Listed Events*” shall mean any of the events listed in subsection 4(a) of this Agreement.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” shall mean any of the original underwriters of the 2013A Bonds required to comply with the Rule in connection with offering of the 2013A Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the 2013A Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

## **2. Provision of Annual Information Report.**

(a) MPS shall, or shall cause the Dissemination Agent, if any, to, not later than nine months after the end of MPS’ fiscal year (presently, June 30), commencing with the report for the fiscal year ending June 30, 2013, provide to each Repository an Annual Information Report which is consistent with the requirements of Section 3 of this Agreement and shall provide a copy of such Annual Information Report and evidence of its filing with the MSRB to the Trustee concurrently with such filing. The Annual Information Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Agreement, provided that the audited financial statements of MPS may be submitted separately from the balance of the Annual Information Report and later than the date required above for the filing of the Annual Information Report if they are not available by that date. If MPS’ fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection 4(f).

(b) If there is a Dissemination Agent then appointed and acting under this Agreement, MPS shall, not later than 15 Business Days prior to the date specified in subsection 2(a) for providing the Annual Information Report to the MSRB, provide the Annual Information Report to the Dissemination Agent, if any, and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Information Report, the Trustee shall contact MPS and the Dissemination Agent, if any, to determine if MPS is in compliance with the first sentence of this subsection 2(b).

(c) If the Trustee is unable to verify that an Annual Information Report has been provided to the MSRB by the date required in subsection 2(a), the Trustee shall send a notice to the MSRB for disclosure on EMMA, in substantially the form attached hereto as Exhibit A.

(d) MPS (or, if a Dissemination Agent is then appointed and acting under this Agreement, the Dissemination Agent) shall file a report with the Trustee certifying that the Annual Information Report has been provided pursuant to this Agreement, and stating the date it was provided to the MSRB for disclosure on EMMA.

**3. Content of Annual Information Report.** MPS’ Annual Information Report shall contain or include by reference the audited financial statements of MPS for the prior fiscal year, including the table of Pledged Revenue Coverage contained therein, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If MPS’ audited financial statements are not available by the time the Annual Information Report is required to be filed pursuant to subsection 2(a), the Annual Information Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Information Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of MPS or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. MPS shall clearly identify each such other document so included by reference.

## **4. Reporting of Significant Events.**

(a) This Section shall govern the giving of notices of the occurrence of any of the following events with respect to the 2013A Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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 2013A Bonds, or other events affecting the tax-exempt status of the 2013A Bonds;
7. Modifications to the rights the holders of 2013A Bonds, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the 2013A Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of MPS\*;
14. The consummation of a merger, consolidation, or acquisition involving or MPS or the sale of all or substantially all of the assets of MPS, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Trustee shall, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in subsections 4(a)(1), (4) or (5)) contact the Disclosure Representative, inform such person of the event, and request that MPS promptly notify the Trustee in writing whether or not the event will be reported pursuant to subsection 4(d).

(c) Whenever MPS obtains knowledge of the occurrence of a Listed Event, MPS shall promptly notify the Trustee and the Dissemination Agent, if any, in writing and shall, or direct the Dissemination Agent to, report the occurrence pursuant to subsection 4(d).

(d) If MPS has determined that a Listed Event has occurred, MPS or the Dissemination Agent shall file a notice of such occurrence (within 10 business days of the occurrence) with the MSRB with a copy to the Trustee.

**5. Termination of Reporting Obligation.** MPS' obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the 2013A Bonds.

**6. Dissemination Agent.** MPS may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

**7. Amendment; Waiver.** Notwithstanding any other provision of this Agreement, MPS and the Trustee may amend this Agreement (and the Trustee shall agree to any amendment so requested by MPS) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both MPS and the Trustee to the effect that such amendment or waiver

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\* For the purpose of the event identified in clause (13), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for MPS 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 MPS, 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 MPS.

would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**8. Additional Information.** Nothing in this Agreement shall be deemed to prevent MPS from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If MPS chooses to include any information in any notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, MPS shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

**9. Default.** In the event of a failure of MPS or the Trustee to comply with any provision of this Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2013A Bonds, shall), or any 2013A Bondowner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause MPS or the Trustee, as the case may be, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of MPS or the Trustee to comply with this Agreement shall be an action to compel performance.

**10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** Article IX of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Agreement, and MPS agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of MPS under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2013A Bonds.

**11. Beneficiaries.** This Agreement shall inure solely to the benefit of MPS, the Trustee, the Dissemination Agent, the Underwriter and Owners from time to time of the 2013A Bonds, and shall create no rights in any other person or entity.

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

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first above written.

**MILWAUKEE BOARD OF SCHOOL DIRECTORS**

By: \_\_\_\_\_  
Michael Bonds, Ph.D.  
President

By: \_\_\_\_\_  
Gregory E. Thorton, Ed.D.  
Superintendent of Schools

**THE BANK OF NEW YORK MELLON TRUST COMPANY,  
N.A., as Trustee**

By: \_\_\_\_\_  
Authorized Officer

[Signature page of Continuing Disclosure Agreement]

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE  
TO FILE ANNUAL INFORMATION REPORT**

Name of Issuer: Redevelopment Authority of the City of Milwaukee  
Name of Bond Issue: \$45,570,000 Redevelopment Authority of the City of Milwaukee (Wisconsin) Refunding Revenue Bonds, Series 2013A (Milwaukee Public Schools - Neighborhood Schools Initiative) (the "2013A Bonds")  
Date of Issuance: May 6, 2013

NOTICE IS HEREBY GIVEN that the Milwaukee Board of School Directors ("MPS") has not provided an Annual Information Report with respect to the 2013A Bonds as required by Section 2 of the Continuing Disclosure Agreement dated as of May 6, 2013 between MPS and The Bank of New York Mellon Trust Company, N.A., as Trustee.

Dated: \_\_\_\_\_ .

**THE BANK OF NEW YORK MELLON TRUST COMPANY,  
N.A., as Trustee**

By: \_\_\_\_\_  
Authorized Officer

cc: MPS

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