STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

FILED PURSUANT TO UNDERTAKINGS PROVIDED TO PERMIT COMPLIANCE WITH SECURITIES EXCHANGE COMMISSION RULE 15C2-12

GENERAL OBLIGATIONS
(Base CUSIPs 977053, 977055, 977056, and 97705L)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

DECEMBER 23, 2005

JIM DOYLE
GOVERNOR

STEPHEN E. BABLITCH
SECRETARY

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December 23, 2005

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2005 (**Annual Report**).

The Annual Report provides information on different securities that the State issues and fulfills the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the Annual Report with each nationally recognized municipal securities information repository using the central post office provided by the Texas Municipal Advisory Council.

Official Statements for securities that the State issues during the next year may incorporate parts of this Annual Report by reference.

Organization of the Annual Report

The Annual Report is divided into eight parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.

- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the audited basic financial statements for the fiscal year ending June 30, 2005 and the State Auditor's report. This part also includes the results of the 2004-05 fiscal year and the budget for the 2005-06 and 2006-07 fiscal years.

The remaining parts present information about different types of securities that the State issues.

- **Part III — General obligations (including bonds, commercial paper, and extendible municipal commercial paper)**
- **Part IV — Master lease certificates of participation**
- **Part V — Transportation revenue obligations (including bonds and commercial paper)**
- **Part VI — Clean water revenue bonds**
- **Part VII — Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**
- **Part VIII – General fund annual appropriation bonds (including bonds and auction rate certificates)**

Please note that certain terms may have different meanings in different parts.

Ratings on the State's Securities
The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues.

Security	Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
General Obligations	AA-	Aa3 (1)	AA– (2)
Master Lease Certificates of Participation	A+	A1 (1)	A+ (2)
Transportation Revenue Bonds	AA	Aa3	AA–
Clean Water Revenue Bonds	AA+	Aa2	AA+
Petroleum Inspection Fee Revenue Bonds	AA–	Aa3	AA–
General Fund Annual Appropriation Bonds	A+	A1 (1)	A+ (2)

(1) On March 29, 2005, Moody's changed the rating outlook on the State's general obligations, master lease certificates of participation, and general fund annual appropriation bonds from "negative" to "stable".

(2) On November 9, 2005, Standard & Poor's Ratings Services changed the rating outlook on the State's general obligation bonds, master lease certificates of participation, and general fund annual appropriation bonds from "stable" to "positive".

How to Get Additional Information

If you are interested in information about securities that the State issues, please contact the Capital Finance Office. *The Capital Finance Office is the only party authorized to speak on the State's behalf about the State's securities.*

The Capital Finance Office maintains a web site that provides access to both disclosure and non disclosure information.

www.doa.wi.gov/capitalfinance

The Capital Finance Office posts to this web site monthly general fund cash flow reports. The Capital Finance Office also posts to this web site all information and material event filings that it makes with each nationally recognized municipal securities information repository.

We welcome your comments or suggestions about the format and content of the Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is **DOACapitalFinanceOffice@wisconsin.gov.**

Sincerely,

Frank R. Hoadley
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2005

	Principal Balance 12/1/2004	Principal Issued 12/1/2004 – 12/15/05	Principal Matured, Redeemed, or Defeased 12/1/2004 – 12/15/05	Statutory Adjustment[b]	Principal Balance 12/15/2005
GENERAL OBLIGATIONS[a]					
Total	**$4,876,460,340**	**$1,050,505,000**	**$834,617,652**	**—**	**$5,092,347,689**
General Purpose Revenue (GPR)	3,225,307,815	583,524,170	202,506,967	250,000,000	3,856,325,018
Self-Amortizing: Veterans	369,940,000	5,000,000	41,125,000	—	333,815,000
Self-Amortizing: Other	1,281,212,525	211,980,830	340,985,684	(250,000,000)	902,207,671

	Principal Balance 12/1/2004	Principal Issued 12/1/2004 – 12/15/05	Principal Matured, Redeemed, or Defeased 12/1/2004 – 12/15/05	Principal Balance 12/15/2005
MASTER LEASE CERTIFICATES OF PARTICIPATION				
Total	**$ 82,102,804**	**$15,792,525**	**$22,710,720**	**$75,184,609**
TRANSPORTATION REVENUE OBLIGATIONS[a]				
Total	**$1,376,743,000**	**$393,985,000**	**$246,560,000**	**$1,524,168,000**
CLEAN WATER REVENUE BONDS				
Total	**$ 682,935,000**	**$107,025,000**	**$148,525,000**	**$641,435,000**
PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS[a][c]				
Total	**$ 348,455,000**	**—**	**$48,205,000**	**$300,250,000**
TAXABLE GENERAL FUND ANNUAL APPROPRIATION BONDS[a]				
Total	**$1,794,850,000**	**—**	**—**	**$1,794,850,000**

(a) This table includes variable rate obligations that have been issued by the State. Please see the respective part of this Annual Report for more information on the variable rate obligations issued for each credit.

(b) Source of debt service payments on general obligations issued for highway rehabilitation projects changed from the Transportation Fund to the General Fund on July 1, 2005.

(c) As of December 16, 2005.

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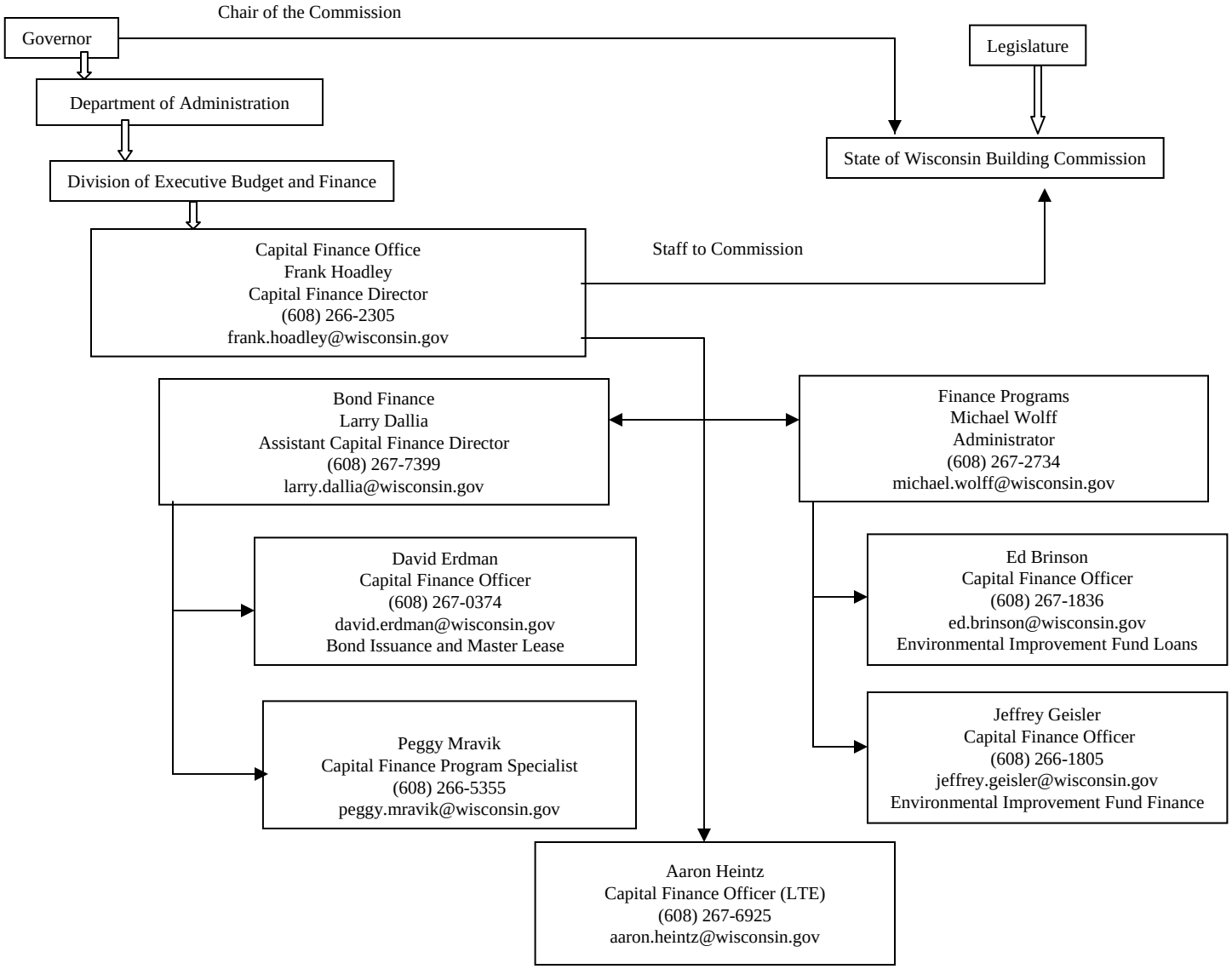
Capital Finance Office Staff (As of December 15, 2005)



STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS AND NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 5, 2009
Senator Carol Roessler	January 5, 2009
Senator David Zien	January 8, 2007
Representative Jeff Fitzgerald	January 8, 2007
Representative Jennifer Shilling	January 8, 2007
Representative Debi Towns	January 8, 2007
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007
Mr. Stephen E. Bablitch, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
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(608) 267-0374
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(Note: New e-mail addresses effective November 2005)

PART VIII

GENERAL FUND ANNUAL APPROPRIATION BONDS

This part provides information about general fund annual appropriation bonds issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2005)	$1,794,850,000
Amount Outstanding—Taxable Fixed Rate Obligations	850,000,000
Amount Outstanding—Taxable Variable Rate Obligations	944,850,000[1]
Percentage of Outstanding Obligations in form of Taxable Variable Rate Obligations	52.64%[1]
Underlying Bond Ratings (Fitch/Moody's/Standard & Poor's)	A+/A1[2]/A+[3]
Corporate Equivalent Rating (Moody's)	Aa1

[1] All taxable variable rate obligations have been hedged through interest rate exchange agreements with multiple counterparties.

[2] On March 29, 2005, Moody's Investors Service, Inc. changed the rating outlook on the State's general fund annual appropriation bonds from "negative" to "stable".

[3] On November 9, 2005, Standard & Poor's Ratings Services changed the rating outlook on the State's general fund annual appropriation bonds from "stable" to "positive".

The State of Wisconsin Department of Administration **(DOA** or **Department of Administration**) may authorize the issuance of obligations to fund the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits. The Capital Finance Office, which is part of the Department's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs.

Taxable general fund annual appropriation bonds were issued pursuant to an Authorizing Certification of the Secretary of Administration, dated December 10, 2003, and an Indenture dated December 1, 2003 **(Indenture)**, by and between the State, acting by and through the Department, and Deutsche Bank Trust Company Americas **(Trustee).** These taxable obligations were initially issued in the form of bonds and auction rate certificates. The Trustee serves as registrar and paying agent for the bonds, and Deutsche Bank Trust Company Americas also serves as Auction Agent for the auction rate certificates **(Auction Agent).** The law firm of Quarles & Brady LLP provides bond counsel services, and the firms of First Albany Capital, Inc. and Public Financial Management, Inc. each provide financial advisory services to the State for the general fund annual appropriation bonds.

The general fund appropriation bonds do not constitute debt of the State or any of its subdivisions. The State's obligation to make payments of the principal of and interest on the general fund annual appropriation bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature.

Requests for additional information about the general fund annual appropriation bonds may be directed as follows:

Contact: Capital Finance Office
Attn: Capital Finance Director
Phone: (608) 266-2305
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part VIII of the Annual Report may differ from that of terms used in another part. See "GLOSSARY" for the definition of capitalized terms used in this Part VIII of the Annual Report. Any information or resource referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

OUTSTANDING OBLIGATIONS

The following table provides data about the State's outstanding general fund annual appropriation bonds. The Series A Bonds and Series B Bonds are collectively referred to as the **Bonds**.

Table VIII-1
OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE
(As of December 15, 2005)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Taxable Fixed Rate Bonds				
2003, Series A **(Series A Bonds)**	12/18/03	2013	$ 250,000,000	$ 250,000,000
Term Bond		2018	100,000,000	100,000,000
Term Bond		2026	500,000,000	500,000,000
Total Fixed-Rate				$ 850,000,000
Taxable Variable Rate Auction Rate Certificates				
2003, Series B **(Series B Bonds)**	12/18/03		$ 944,850,000	$ 944,850,000 [a]
Total General Fund Annual Appropriation Bonds				$1,794,850,000

[a] Issued in the form of nine sub-series, as summarized in the following table. All taxable variable rate obligations have been hedged through interest rate exchange agreements with multiple counterparties.

CUSIP	ISIN	Euroclear and Clearstream Common Code	Subseries	Principal Amount	Auction Date	Interest Period	Broker-Dealer(s)
977100 AD8	US977100 AD8 6	182 75287	B-1	$ 118,750,000	Tuesday	28 Days	All
977100 AE6	US977100 AE6 9	182 75341	B-2	100,000,000	Thursday	28 Days	JP Morgan Securities Inc.
977100 AF3	US977100 AF3 5	182 75392	B-3	118,700,000	Tuesday	28 Days	All
977100 AG1	US977100 AG1 8	182 75481	B-4	100,000,000	Thursday	28 Days	Bear Stearns & Co. Inc.
977100 AH9	US977100 AH9 0	182 75627	B-5	118,700,000	Tuesday	28 Days	All
977100 AJ5	US977100 AJ5 6	182 75678	B-6	100,000,000	Thursday	28 Days	UBS Financial Services, Inc.
977100 AK2	US977100 AK2 0	182 75732	B-7	118,700,000	Tuesday	28 Days	All
977100 AL0	US977100 AL0 3	182 75783	B-8	70,000,000	Wednesday	28 Days	UBS Financial Services, Inc.
977100 AM8	US977100 AM8 5	182 75813	B-9	100,000,000	Thursday	28 Days	Citigroup Global Markets, Inc.
				$ 944,850,000			

PLAN OF FINANCE

General

The State issued the Bonds in December 2003 to provide funds for payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability, as of January 1, 2003, and its unfunded accrued liability for sick leave conversion credits, as of October 1, 2003. The Bonds were issued pursuant to Section 16.527, Wisconsin Statutes, as amended (**Enabling Act**), an authorizing certification signed by the Secretary of Administration, and the Indenture. The Enabling Act was included in the State's budget act for the 2003–2005 biennium, which became law on July 25, 2003, and was amended by a separate legislative act that became law on December 9, 2003.

Most of the proceeds from the sale of the Bonds were initially placed in the General Fund, then paid to the Retirement System. Some of the proceeds of the Bonds were deposited in the Debt Service Fund held under the Indenture and are currently expected to provide for payment of interest on the Bonds and to pay administrative expenses through June 30, 2006. Some of the proceeds of the Bonds were deposited in the Stabilization Fund held under the Indenture.

Paying Unfunded Liabilities

The Enabling Act contains a legislative finding that the State, by prepaying part or all of its unfunded prior service liability and its unfunded liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. See "STATE OBLIGATIONS; Employee Pension Funds" in Part II of this Annual Report for further information on the Retirement System. As a practical matter, the State expects that amounts that otherwise would have been expended for the annual payments of the unfunded liabilities (based on amounts that were scheduled for payments from the General Fund and other funds) will be sufficient to offset the expenditures from the General Fund necessary to pay debt service and other costs associated with the Bonds. The debt service payments are intended to replace payments the State would otherwise have to make to amortize the prior service and sick leave conversion credit liabilities.

Interest Rate Exchange Agreements

Initial Financing Plan

The State's initial financing plan included hedging part of its variable-rate exposure on the Series B Bonds through four separate, but similar, interest rate exchange agreements **(Swap Agreements)** in a total notional amount of $595,150,000. Monthly payments due under the Swap Agreements are net payments based on the interest rates exchanged—the State is paying a fixed rate of 5.47% and receiving a rate equal to the one-month LIBOR. The term of the initial Swap Agreements extends to May 1, 2032.

June 2005 Swap Agreements

In June 2005, the State hedged its remaining variable-rate exposure on the Series B Bonds through four additional Swap Agreements in a total notional amount of $349,700,000. Monthly payments due under the Swap Agreements are net payments based on the interest rates exchanged—the State is paying a fixed rate of 4.523% for $60,000,000 of the notional amount and 4.661% for $289,700,000 of the notional amount, and receiving a rate equal to the one-month LIBOR. The term of the June 2005 Swap Agreements extends to May 1, 2025.

General

Payments under the Swap Agreements are payable from money held in the Debt Service Fund under the Indenture, that is, the same money that is being used to pay the principal of and

premium, if any, and interest on the Bonds. Should a Swap Agreement be terminated, under certain circumstances the State may be required to pay a termination payment. The Enabling Act provides authority for the State to issue additional bonds to make this payment. Money held in the Debt Service Fund may be applied to a termination payment under a Swap Agreement only if the termination payment was due on September 1 of the year before the first fiscal year in a biennium and a budget bill has been enacted for the biennium. Correspondingly, the budget request for the first fiscal year in any biennium is expected to include an amount to provide for any termination payment that was due on September 1 of the prior year. Termination payments, however, may be payable from money held in (or permitted to be transferred to) the Subordinated Payment Obligations Fund.

Additional Bonds

The Indenture permits the issuance of Additional Bonds to refund any of the Bonds (or Additional Bonds to be issued) and to pay any cost of issuing bonds (which includes accrued or funded interest, issuance expenses, deposits to reserve funds, administrative expenses, and credit enhancement facilities), or to make payments under any Swap Agreement. The State expects to issue additional bonds under the Indenture (**Additional Bonds**) to refund all or part of the principal of the Series A Bonds coming due in 2013 and possibly under other situations.

INFORMATION ABOUT THE STATE OF WISCONSIN

Part II of the State's Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**, includes further information about the State of Wisconsin. This part of the 2005 Annual Report includes information on the following matters;

- The General Purpose External Financial Statements section of the audited Comprehensive Annual Financial Report for the State's fiscal year ending June 30, 2005.
- Revenues received by the State.
- Expenditures made by the State.
- Budgets.
- Selected financial data concerning the General Fund.
- Information concerning interfund borrowings.
- Pertinent information on significant pending litigation.
- Balances of outstanding State obligations.
- Statistical information on the State's economic condition, veterans housing loan program, and Retirement System.

PAYMENT FROM ANNUAL APPROPRIATIONS

The Bonds are not general obligations of the State, and the Bonds do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin Statutes. The payment of the principal of, and premium, if any, and interest on the Bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds, and if it does not do so, it incurs no liability to the beneficial owners of the Bonds. Thus, payment of the Bonds is at the discretion of the Legislature.

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds, expresses its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

General Fund

The State has chosen a name for the Bonds that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. The budgets for the 2005-06 and 2006-07 fiscal years include an appropriation from the General Fund for debt service on the Bonds. A budget adopted for a future year may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund).

Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change.

The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. A biennium begins on July 1 of each odd-numbered year and ends on June 30 of the subsequent odd-numbered year. The requirement for a state budget is linked directly to the Wisconsin Constitution, which provides that "No money shall be paid out of the treasury except in pursuance of an appropriation by law." The Wisconsin Constitution requires a balanced budget. It also requires that, if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to pay the deficiency in the succeeding fiscal year. See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of this Annual Report for additional information on the State's budget process.

Annual Appropriations and Continuing Authority

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two fiscal years that the biennium comprises, and any unused amount would lapse at the end of the fiscal year. The State's fiscal year begins July 1, and an annual appropriation is effective on the later of that date or (in the case of the first year of a biennium) the effective date of the new biennial budget.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. The Wisconsin Statutes provide that if an existing appropriation for the second year of a biennium is not amended or repealed, it continues in effect for all subsequent fiscal years. Thus, until the adoption of a new budget, or some other legislative action to amend or repeal an appropriation, an existing appropriation will provide authority for expenditures in future fiscal years. Once a newly adopted budget becomes effective, the continuing authority is terminated.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. If an amount has been appropriated for the second fiscal year in one biennium, there will be continuing authority in the same amount for

the first fiscal year in the next biennium, until a new budget is enacted or some other legislative action is taken to amend or repeal the appropriation. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount". Since 1967, the latest that a budget has been adopted is just over four months into the first fiscal year of the biennium.

Other Enabling Act Provisions

The Enabling Act also added a new subsection to the Wisconsin Statutes, which includes, in the schedule of annual appropriations, an appropriation from the General Fund to make debt service payments due in the current fiscal year on appropriation obligations (such as the Bonds) issued under the Enabling Act, to make payments under ancillary agreements, to make deposits into reserve funds, and to pay related issuance or administrative costs. All interest due on the Bonds through June 30, 2006 is funded with proceeds from the sale of the Bonds deposited into the Debt Service Fund, investment earnings on such deposits, and payments required to be made by counterparties under Swap Agreements. No principal payments were scheduled during that period.

Determination of Annual Appropriation Amount

The Indenture contains several provisions regarding the budget process and the resulting appropriations. In the Indenture, the State directs officers of the Department of Administration to take actions to facilitate the appropriation for each fiscal year of a specified amount (**Annual Appropriation Amount**). The Annual Appropriation Amount equals the sum of the following amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following determined for such second fiscal year or the immediately succeeding fiscal year, most likely to the first year of the next biennium, whichever is greater):

- *Bonds – Principal.* The amount of principal of Bonds and Additional Bonds coming due during the fiscal year.
- *Bonds – Redemption.* The amount of principal of Bonds and Additional Bonds to be redeemed during the fiscal year, including a scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds – Fixed Rate Interest.* Interest to be paid during the fiscal year on Bonds and Additional Bonds bearing interest at a fixed rate.
- *Bonds – Variable Rate Interest (Maximum Rate).* Interest that would be payable during the fiscal year on Bonds and Additional Bonds bearing interest at a variable rate, assuming they bore interest at the maximum permitted rate, which is 15%.
- *Swap Agreements.* The maximum amount of any payment obligations (other than termination payments) that would be payable during the fiscal year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such Swap Agreement were at 15% per annum.
- *Credit Facilities.* The maximum amount of payments due during the fiscal year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses.* Estimated administrative expenses payable from the Operating Expense Fund during the fiscal year.

- *Termination Payments.* The amount of all termination payments with respect to Swap Agreements that are unpaid as of the September 1 immediately preceding the commencement of the biennium that includes the fiscal year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

Table VIII-2 summarizes the calculation of the Annual Appropriation Amount for the current biennium, pursuant to the factors outlined above. Table VIII-3 includes the amounts appropriated by the Legislature in each fiscal year since the date the Bonds were issued.

Table VIII-2
Determination of Annual Appropriation Amount[a]

Determination for the biennium: 2005-07	Fiscal Year 2005-06	Fiscal Year 2006-07 (Equal to Greater Total of the Following)	
		Fiscal Year 2006-07	Fiscal Year 2007-08[b]
Bonds[c] – Principal	$ 0	$ 0	$ 0
Bonds[c] – Redemption	0	0	0
Bonds[c] – Fixed Rate Interest	45,700,000	45,700,000	45,700,000
Bonds[c] – Variable Rate Interest (Maximum Rate)	52,455,000	52,455,000	52,455,000
Swap Agreements	89,272,500	89,272,500	89,272,500
Credit Facilities	0	0	0
Administrative Expenses	3,405,643	3,405,643	3,405,643
Termination Payments	0	0	0
Totals[d]	$190,833,100	$190,833,100	$190,833,100

[a] No Annual Appropriation Amounts were determined for the 2003-05 biennium since proceeds of the Bonds were deposited into several accounts under the Indenture to pay debt service on the Bonds and administrative costs through June 30, 2006, assuming performance by the counterparties to the Swap Agreements.

[b] Reflects the first fiscal year of the next biennium.

[c] As of the date of this Annual Report, no Additional Bonds have been issued and no Additional Bonds are included in these calculations.

[d] Rounded down to the nearest hundred.

Table VIII-3
Amounts Appropriated by Legislature
General Fund Annual Appropriation Bonds
(Section 20.505 (1)(br), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2004-05	$ _ 0[a]	$ 0[a]
2005-06	190,833,100	190,833,100
2006-07	190,833,100	190,833,100

[a] No Annual Appropriation Amounts were determined for the 2003-05 biennium since proceeds of the Bonds were deposited into several accounts under the Indenture and are expected to pay debt service on the Bonds and administrative costs through June 30, 2006, assuming performance by the counterparties to the Swap Agreements.

The Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any fiscal year to pay when due all debt service on the Bonds and Additional Bonds and payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination for that fiscal year of the Annual Appropriation Amount (**Subordinated Swap Payment Obligations**). Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice to the Trustee.

The Indenture provides that, in the event an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature fails to include the Annual Appropriation Amount, the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee, stating the nature of the deficiency. Similarly, in the event a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the appropriation that would be needed.

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of and interest on the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments.

The beneficial owners of Bonds could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act. The Governor may include or exclude the annual appropriations in the executive budget bill, and similarly, the Legislature may include or exclude the annual appropriations in the budget it adopts. Moreover, even if the annual appropriations are included in the budget the Legislature adopts, the Governor has the power to veto the appropriations.

No Collateral

Other than granting a security interest in money held in funds under the Indenture, the State has not pledged any collateral or other security to support payment of the principal of or interest on the Bonds. If the State were to fail to appropriate sufficient funds for that payment, the beneficial owners of the Bonds would not have any recourse against any other property of the State.

Nature of Moral Obligation

The Legislature has recognized a moral obligation to appropriate money; however, the recognition of a moral obligation does not create a legally enforceable obligation. The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment as not legally required.

Legislative Decision-Making

Legislative decisions, such as making appropriations through the adoption of a budget, may be influenced by many factors. The Secretary of Administration believes that failure to make payments of the principal of, and premium, if any, and interest on, the Bonds might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments.

The State has not previously issued obligations that are payable solely from annual appropriations, without providing collateral security. Future occurrences could adversely affect legislative support for appropriating the money needed for those payments. For example, the State issued the Bonds with the expectation that it will thereby save money, as compared to the payments it would otherwise have had to make, but may fail to realize these expectations.

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the State intends to pay nearly all the principal of the Series B Bonds before the stated maturity date but may not be required to make those payments under certain circumstances. Similarly, the State intends to refund the principal amount of the Series A Bonds maturing in 2013 so that the principal will be repaid in smaller annual amounts over the following years. Were payment of all or a large portion of the principal of the Series B Bonds deferred until the stated maturity date, or were the Series A Bonds maturing in 2013 not so refunded, a large payment would be required.

Investment Loss

In the event a loss was incurred on appropriated funds held in funds or accounts under the Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See "GLOSSARY" for a description of qualified investments.

Swap Agreements

The State has hedged all of its variable-rate exposure on the Series B Bonds through eight separate, but similar, Swap Agreements with five different counterparties. The State is subject to certain risks as the result of the Swap Agreements that it previously entered into. As of November 30, 2005, the aggregate fair market value of the Swap Agreements is negative $9.5

million. The fair market value may vary throughout the life of the Swap Agreements due to changes in fixed swap interest rates and swap market conditions.

Interest Rate Risks

Although the interest rate is synthetically fixed under the Swap Agreements, interest payments on the Series B Bonds and net swap payments will vary as interest rates vary.

Credit Risks

To the extent the aggregate fair market value of a Swap Agreement were positive, the State would be subject to credit risk of the counterparty in a like amount. Other credit risk factors on the State center on the ratings of the counterparties to the Swap Agreements. The lowest rating assigned to these counterparties is, as of November 30, 2005, Aa3 by Moody's, A+ by Standard & Poor's, and A+ by Fitch Ratings (which only assigns a rating for four of the five counterparties). Under the Swap Agreements and to mitigate the potential for credit risk, if any of the counterparties' credit quality falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, the fair market value of the interest rate exchange agreement for that respective counterparty will be fully collateralized by that counterparty. In addition, an event of termination occurs if any of the counterparties' credit quality falls below Baa2 by Moody's Investors Service or BBB by either Standard & Poor's or Fitch Ratings.

Basis Risks

The State may be subject to basis risk due to the relationship between the interest rate on the one-month LIBOR and the Series B Bonds. On November 30, 2005, the one-month LIBOR was 4.29% and the interest rate on one sub-series of the Series B Bonds was 4.15%. This variance, in essence, results in a reduction to the intended synthetic interest rate of the Swap Agreements. The relationship between interest rates on the one-month LIBOR and the Series B Bonds will vary over time.

Termination Risks

Any Swap Agreement may be terminated by the State at market, upon two business days written notice, designating to the counterparty the termination date. However, either the State or a counterparty may terminate the Swap Agreements if the other party fails to perform under the terms of the Swap Agreements, or if other various events occur. If any interest rate exchange agreement is terminated, the State would be unhedged and exposed to additional interest rate risk on a like amount of the Series B Bonds. In addition, if the interest rate exchange agreement has a negative fair market value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the related counterparty. Actual termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments. To mitigate the risk of an involuntary termination event, the State has also purchased a swap insurance policy from a financial guaranty insurance company that was rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. The State's regularly scheduled net payment obligations under three of the four Swap Agreements are insured subject to the terms and conditions of the policy.

Market-Access and Rollover Risks

The Swap Agreements have a term that is equal to the respective maturities of the Series B Bonds, and therefore there is no market-access risk or rollover risk.

Additional Bonds

The Indenture does not preclude the issuance of Additional Bonds under circumstances in which the resulting debt service might exceed the amount appropriated for the biennium during which the Additional Bonds are issued. The Indenture does, however, require the State to provide the Trustee with a letter from each of at least two of the rating agencies then rating the Bonds that the issuance of the Additional Bonds would not adversely affect the ratings assigned to the Bonds by that rating agency.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. The summary does not purport to be complete, and reference is made to the full text of the Indenture for a complete recital of its terms.

Funds Established by Indenture

The Indenture establishes an Appropriations Fund, an Operating Expense Fund, a Debt Service Fund, a Subordinated Payment Obligations Fund, and a Stabilization Fund.

On the first business day of each fiscal year, the State shall pay to the Trustee from appropriated funds, for deposit in the Appropriations Fund, an amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during that fiscal year to pay principal of Bonds and Additional Bonds (including the scheduled amount to be redeemed by optional redemption), interest on the Bonds and Additional Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses. The amount of the deposit is expected to be less than the Annual Appropriation Amount.

The Indenture requires the Trustee, upon receipt of the deposit, to transfer from the Appropriations Fund an amount designated by the State (and consistent with its determination of the amount required to be deposited in that fund) to the Operating Expense Fund and then transfer the balance into the Debt Service Fund.

The Indenture requires the Trustee to apply money in the Debt Service Fund to pay:

- The unpaid interest due on the Bonds and Additional Bonds on each payment date.
- The amount due on Swap Agreements (other than Subordinated Swap Payment Obligations).
- The principal installment of Bonds and Additional Bonds due on each payment date.
- The principal due upon optional redemption of Bonds and Additional Bonds.

On any payment date on which the amount on deposit in the Debt Service Fund is insufficient, the Indenture requires the Trustee to withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall, and thereafter (if a shortfall still exists) to withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition

to the amounts specifically required by the Indenture. A portion of the proceeds from the sale of the Bonds was deposited in the Debt Service Fund and the Stabilization Fund. The State is permitted, but not required, to put additional amounts in the Stabilization Fund from time to time.

The Bonds

The sum of the aggregate principal amount of Bonds issued under the Indenture may not exceed the limit set forth in the Act.

Deposit of Bond Proceeds

Initial deposits were made from proceeds of the Bonds into the funds and accounts created under the Indenture as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement specified the purchase price of the Bonds, and with respect to that amount:

(a) the amount representing Funded Interest to be deposited in the Proceeds Account within the Debt Service Fund for the Bonds; and

(b) the amount to be deposited in any other fund or account as provided in the Closing Statement.

Issuance of Additional Bonds

The State reserves the right to issue one or more Series of Additional Bonds under the Indenture from time to time, with a charge or lien equal to the charge and lien applicable with respect to the Bonds, provided that:

(a) the aggregate amount of Bonds issued may not exceed the amount authorized by the Act, and

(b) the proceeds of such Additional Bonds may be used only to pay the Payment or Payment Costs or to fund or refund Bonds issued for that purpose.

For each Series of Additional Bonds, the Department of Administration shall provide a separate Authorizing Certification authorizing a Supplemental Indenture and setting forth the aggregate principal amount of Additional Bonds authorized thereby, the manner of their sale, and the form and other terms.

Prior to the delivery by the State of any of the Additional Bonds there must be filed with the Trustee:

(a) a Supplemental Indenture executed on behalf of the State by the Department of Administration and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale,

(b) a copy of the Authorizing Certification executed by the Secretary of Administration or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds,

(c) a request and authorization to the Trustee by the Department of Administration on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds, and

(d) evidence of a Rating Confirmation.

Redemption of Bonds

If the Bonds are to be called for redemption, and if sufficient monies are on deposit with the Trustee in the Debt Service Fund on the applicable redemption date to redeem the Bonds to be

redeemed and to pay any interest due thereon and premium, if any, the Trustee is authorized and directed to apply those funds to the payment of the Bonds to be redeemed. Interest on any Bonds or portions of them called for redemption stops accruing on the date the notice of redemption fixes for their redemption if:

(a) notice of their redemption has been given as provided in the Indenture, and

(b) money sufficient for their payment is on deposit with the Trustee as required by the Indenture.

Mode Conversion

The Series B Bonds are currently in the form of auction rate certificates and issued through nine sub-series. See "AUCTION RATE CERTIFICATES". The Indenture provides that any of the subseries of the Series B Bonds may be converted to another of the modes described in the Indenture, including a weekly mode, a commercial paper mode, an extendible commercial paper mode, an adjustable long made and a fixed mode, on any Interest Payment Date for such subseries. In connection with such a conversion, all Series B Bonds of such subseries will be required to be tendered for purchase on the Interest Payment Date on which such conversion will become effective. On such an Interest Payment Date, such subseries of Series B Bonds shall be purchased at a price of 100% of the principal amount of such Bonds pursuant to the Indenture. The owner of such a Bond may not elect to retain its Bond, however, if all of the conditions to such a conversion are not met, the purchase of Series B Bonds tendered for purchase will not be consummated, and the owners of the Series B Bonds will continue to own those Series B Bonds. The Indenture provides that the Series B Bonds may operate in more than one mode at the same time, provided, however, that all of the Series B Bonds of each subseries must operate in the same mode at the same time.

General Terms and Provisions of Bonds

The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations together with any interest thereon shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriated Funds consist principally of amounts that are subject to annual appropriation by the Legislature of the State. The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are a valid claim of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Bonds. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

General Covenants

The State represents, warrants, and covenants that so long as any of the Bonds are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit in the Appropriations Fund, but solely from the Appropriated Funds, amounts sufficient to promptly pay the principal of, premium, if any, and interest on the Outstanding Bonds and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

The State represents, warrants, and covenants that it will perform its obligations under the Indenture and pursuant to any Bonds executed, authenticated, and delivered under the Indenture and all of its proceedings relating to the issuance of the Bonds. The State further represents,

warrants and covenants that it is duly authorized under the Wisconsin Constitution and laws of the State, including without limitation the Act, by and through the Department of Administration, to issue the Bonds, to execute the Indenture, and to pledge and assign the property described in the Indenture in the manner and to the extent set forth in the Indenture. The State represents that all action on the part of the State and the Department of Administration for the issuance of the Bonds and the execution and delivery of the Indenture has been effectively taken and the Bonds in the hands of the Registered Owners, the Swap Payment Obligations and Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department of Administration according to the terms of the Indenture, the Bonds (where applicable) and the Act.

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature of the State, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Bondowners, any Swap Provider, or any Credit Issuer under the Indenture, the Bonds, a Swap Agreement, or any agreement relating to a Credit Facility. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature of the State, the State will not limit or alter its powers to fulfill the terms of any agreements made with Bondowners or in any way impair the rights and remedies of Bondowners until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Bondowners are fully met and discharged.

Budget Process and Appropriations

The State directs the appropriate officers or directors of the Department of Administration to take all appropriate actions within their power to assure that the Annual Appropriation Amounts with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are annually appropriated. The Secretary of Administration or his designee shall:

(a) while any Bonds are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under Section 16.42, Wisconsin Statutes, for each Fiscal Year (beginning with 2006) includes the Annual Appropriation Amount relating to such Bonds, Swap Payment Obligations and Credit Facility Payment Obligations in that Fiscal Year;

(b) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the Legislature of the State, stating the nature of the deficiency and requesting action to ensure the satisfaction of the State's moral obligation;

(c) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, the Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly send a letter to the Governor and the presiding officer of each house of the Legislature of the State seeking an amendment to such Budget Bill or, if such a Budget Bill is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the Legislature of the State seeking the introduction of a separate bill authorizing the necessary or additional appropriation required;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, the Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer; and

(f) in the event a Swap Termination Payment becomes due, and there are insufficient funds available from Appropriated Funds under the Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the Legislature of the State seeking the introduction of a separate bill authorizing an additional appropriation.

In the event the Secretary of Administration exercises his authority under Section 16.53(10)(a), Wisconsin Statutes, whereby the Secretary of Administration establishes a priority schedule for payments, the Secretary of Administration covenants to give payment of the Outstanding Bonds, the Swap Payment Obligations and the Credit Facility Payment Obligations the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary of Administration certify that they have performed the obligations under the Indenture described above under clause (a) of "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary of Administration shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" to the Governor and the presiding officer of each house of the Legislature of the State, with a copy to the Secretary of Administration, the Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer, in the event that the Secretary of Administration fails to include in the budget requests prepared under Section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount relating to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations in that Fiscal Year;

(b) Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature of the State, with a copy to the Secretary of Administration, the Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that a Budget Bill at any time fails to include the Annual Appropriation Amount; or

(c) Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature of the State, with a copy to the Secretary of Administration, the Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event of an Event of Nonappropriation.

Event of Default

The State covenants that should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, with the Registered Owners, with the Swap Providers, and with the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers and the Credit Issuers.

Appropriated Funds and Funds and Accounts

The Indenture created and established with the Trustee the following funds for purposes of the Indenture:

(1) the Appropriations Fund,

(2) the Operating Expense Fund,

(3) the Debt Service Fund,

(4) the Subordinated Payment Obligations Fund, and

(5) the Stabilization Fund.

The Indenture established in the Debt Service Fund a Debt Service Account for each Series of Bonds issued and each Swap Agreement entered into under the Indenture, and a Proceeds Account. Sinking fund accounts for any Series of Bonds having sinking fund installments may be established within the Debt Service Account for such Series in any schedule to the Indenture or in a Supplemental Indenture.

Notwithstanding anything in the Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in an manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Bonds), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (i) to the Stabilization Fund, or (ii) to the State, as directed in writing by an Authorized Department Representative.

Deposits Into and Use of Monies in the Appropriations Fund

On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision thereto. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount up to the Deposit Amount that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to Section 20.002(1), Wisconsin Statutes, and on the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, provided that the total paid to the Trustee shall not exceed the Deposit Amount.

No later than thirty days following the enactment of any separate bill or bills providing for an appropriation available for the payment of the Bonds, Swap Payment Obligations, and/or Credit Facility Obligations, for payment of issuance or administrative expenses or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund amounts appropriated thereby.

No later than thirty days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment which is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

Any amounts appropriated pursuant to Section 20.505(1)(it), Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement shall be transferred, immediately upon receipt by the State, to the Trustee for deposit in the Appropriations Fund.

At any time during each Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.

The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred by the State or by any Swap Provider pursuant to the terms of a Swap Agreement to the Trustee. The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but as to each Indenture Fund only within the limitations in the Indenture below indicated with respect thereto:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account in the Debt Service Fund, to the extent, if any, needed to increase the amount in such Account of the Debt Service Fund so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for such Series of Bonds due on each Payment Date and the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Account;

THIRD: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FOURTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30 of each Fiscal Year. On May 1 of each year, beginning May 1, 2009, the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts and the Subordinated Payment Obligations Fund which will not be needed for the purposes thereof for the balance of that Fiscal Year as reasonably determined by the State, and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to the amount set forth in:

(i) with respect to the Bonds, the schedule set forth in the Indenture, to the optional redemption of the Series B Bonds, and

(ii) with respect to any Additional Bonds, the schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional Bonds are issued, to the optional redemption of the Additional Bonds.

To the extent that the scheduled amount of optional redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining scheduled amounts of optional redemptions on a prorated basis rounded to the nearest Authorized Denomination of the applicable Series of Bonds, and the schedule for Series B Bonds set forth in the Indenture or the schedule or formula for Additional Bonds set forth in the Supplemental Indenture, as applicable, shall be modified accordingly.

Use of Monies in the Debt Service Fund

The Trustee shall withdraw from the applicable Debt Service Account of the Debt Service Fund and the Proceeds Account on or prior to each Payment Date an amount equal to:

(a) The unpaid interest due on the Bonds on each such Payment Date, and shall cause the same to be applied to the payment of said interest when due.

(b) The amount of each Parity Swap Payment Obligation due on such Payment Date and shall cause the same to be paid to the applicable Swap Provider (provided that any Swap Termination Payment which is a Parity Swap Payment Obligation will be paid no later than thirty days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

(c) The Principal Installment of such Bonds due on such Payment Date and shall cause the same to be applied to the payment of the Principal Installment of such Bonds when due.

(d) The principal due upon optional redemption of such Bonds on such Payment Date and shall cause the same to be applied to the payment of such principal when due, provided that, prior to distributing notice of any such optional redemption (other than scheduled optional redemption described in "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in Appropriations Fund"*), an Authorized Department Representative has certified that the total of (i) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Account which are expected to be needed in future Fiscal Years) and (ii) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation).

Prior to the Payment Date of a Principal Installment, any amounts then on deposit in a Debt Service Account of the Debt Service Fund shall, if so directed in writing by an Authorized

Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited or to the purchase of Bonds of the Series and maturity for which such Principal Installment was established in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. All purchases of Bonds pursuant to this paragraph of the Indenture shall be made at prices not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

If for any reason a Debt Service Account of the Debt Service Fund shall contain excess monies after a Payment Date, such excess may be held in the Account as a credit against the requirements of such Account for the balance of that Fiscal Year, transferred to another Debt Service Account or returned to the Appropriations Fund, as the State shall direct.

Subsequent to November 1, 2005, the Trustee shall, if the State so directs, transfer monies in the Proceeds Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein, provided that any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such monies will not be needed to pay interest on the Bonds and that any increase in the Stabilization Fund Amount is reasonable.

On a refunding of any Bonds, the Trustee shall, if the State so directs, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on Bonds being refunded and deposit such amounts in escrow to be held for the payment of the Principal Amount or Redemption Price, if applicable, and interest on the Bonds being refunded; *provided* that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Indenture.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature of the State, and except as described under "SUMMARY OF THE INDENTURE; Defaults and Remedies" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another (and without regard to the deposit of amounts in a particular Debt Service Account). Notwithstanding anything in the Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with its appropriation.

Use of Monies in the Subordinated Payment Obligations Fund

Throughout each Fiscal Year on any Payment Date that the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year (but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year), or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (i) the monies on deposit in the Debt Service Fund and (ii) the amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be

paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), then (c) the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature of the State, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Use of Monies and Earnings in the Stabilization Fund

Throughout each Fiscal Year on any Payment Date that the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof and amounts drawn from the Subordinate Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. Throughout each Fiscal Year until June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of the Fiscal Year, the State may, at its option, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Fund for the purposes thereof. On June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Fund for the purposes thereof, provided that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year. Earnings on amounts on deposit in the Stabilization Fund shall be applied to restore the Stabilization Fund to the Stabilization Fund Amount. On the first Business Day of each Fiscal Year, the State may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount from earnings thereon to the Appropriations Fund for further distribution to the Indenture Funds described above as directed by the State.

Use of Monies in the Operating Expense Fund

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations.

Payments to the State

Any amounts remaining in the Appropriations Fund or any other funds or accounts established under the Indenture after payment of all Bonds, Swap Payment Obligations and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the Indenture which permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party.

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Investments made with money on deposit in the Indenture Funds may be made by the Trustee through its own bank investment department and:

(a) will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used,

(b) will be held by or under the control of the Trustee,

(c) will at all times be considered a part of the Fund or Account for whose benefit the investment was made,

(d) will have any loss attributable to them charged to the Fund or Account for whose benefit the investment was made, and

(e) in all other cases, will have any interest or profit derived from them retained in the Fund or Account from which the investment was made.

The Trustee shall not be responsible or liable for any loss resulting from such investment, except to the extent caused by its negligence or willful default.

Discharge of Indenture

The Indenture and the estate and rights granted by it ceases, determines and is void if:

(a) the State has performed all of its obligations under the Indenture and the Bond Purchase Agreement,

(b) all Trustee's Expenses and the expenses of any other paying agent which have accrued and will accrue through the final payment of the Bonds have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Bonds has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying or causing to be paid, when due, the principal of, premium, if any, and interest on all Outstanding Bonds,

(2) by irrevocably depositing with the Trustee, in trust for such purpose, at or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all Outstanding Bonds including unpaid interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Bonds, or

(4) by depositing with the Trustee, in trust, Defeasance Obligations that mature in an amount that will, together with the income or increment to accrue on them but

without reinvestment, be sufficient to pay or redeem (when redeemable) all Bonds at or before their respective maturity dates, including interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds and any redemption premium,

(d) a notice of redemption which includes the Redemption Notice Information has been given as required by the Indenture if any of the Bonds are to be redeemed before their maturity or if a notice of redemption cannot then be given as provided in the Indenture, then the State has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to provide a notice of redemption which includes the Redemption Notice Information to the Registered Owners of any Bonds to be redeemed when a notice of redemption can be timely given under the Indenture,

(1) if the payment of the Bonds has been provided for under (c)(2) or (c)(4) above, the Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the Indenture will not adversely affect the validity of any Bonds and (ii) has given notice to the Registered Owners of the Bonds at the Registered Owner's Address to the Trustee of the actions taken under subsection (c) above, and

(2) if the payment of the Bonds has been provided for under (c)(4) above, an opinion from an independent certified public accountant to the effect that the funds available or to be available in the escrow for the payment of the Bonds will be sufficient to pay the principal of, premium, if any, and interest on the Bonds.

On the occurrence of the events described in (a) through (d) above, the Trustee is authorized and directed to:

(a) execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the Indenture, and

(b) assign and deliver to the Department of Administration any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, premium, if any, and interest on any Bonds).

Notwithstanding any other provision of the Indenture which may be contrary to the provisions set forth above, all money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the Indenture for the payment of the principal of, premium, if any, and interest on Bonds will be applied to and used solely for the payment of the principal of, premium, if any, and interest on the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the Indenture which are not needed for the payment of the principal of, premium, if any, or interest on the Bonds is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bonds.

Notwithstanding a discharge of the Indenture as provided in clause (c)(2) or (c)(4) above, resulting in the Owners of Bonds having a claim for the payment of their Bonds solely from the cash and securities so set aside, the Indenture will continue to govern the method of making payments of principal and interest on the Bonds, the registration, transfer, and exchange of Bonds, the circumstances under which the Bonds may be redeemed and similar matters.

Defaults and Remedies

The occurrence and continuance of any of the following events is an Event of Default under the Indenture:

(a) failure to pay when due the principal of (whether at maturity, upon redemption or otherwise), or premium, if any, or interest on any Bonds or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(b) failure to pay as required by the terms of the Indenture any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(c) failure to pay when due the tender price on any Bond upon mandatory or optional tender for purchase as provided in the Indenture, except to the extent that such failure is due to an insufficiency of appropriated funds to make such payment with respect to any Bonds for which there is no liquidity facility; or

(d) the State defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, the Indenture or any Supplemental Indenture on the part of the State to be performed and the default continues for thirty (30) days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Owners of at least 25% of the aggregate principal amount of any Series of Bonds then Outstanding that it do so, *provided* that if the default is one which can be remedied but cannot be remedied within that thirty-day period, the Trustee may grant an extension of the thirty-day period if the State institutes corrective action within that thirty-day period and diligently pursues that action until the default is remedied.

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the Indenture or the Bonds, any Swap Payment Obligations or any Credit Facility Payment Obligations, (ii) to enforce performance of any obligation, agreement or covenant of the State under the Indenture or the Bonds, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Bonds or of the grantor of any other collateral given to secure the payment of any Bonds or (iii) to otherwise enforce any of its rights; provided, however, actions against the State shall be limited to those permitted by the Wisconsin Statutes and the Wisconsin Constitution.

None of the remedies under the Indenture is exclusive of any other remedy or remedies. Each remedy given under the Indenture is cumulative and is in addition to every other remedy that is given or which now or hereafter exists at law, in equity or by statute.

No delay or omission in the exercise of any right or power accruing upon an Event of Default impairs the right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default extends to or affects any subsequent or other Event of Default or impairs any rights or remedies consequent thereon.

Right to Direct Proceedings

The Owners of the Bonds have the right to direct the exercise of any rights or remedies under the Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture. The Indenture provides that so long as a Bond Insurer is not in default under its Bond Insurance Policy, such Bond Insurer is treated as the Owner of the Bonds of the Series insured by it, for purposes of declaring defaults and directing remedies.

The directions of the Owners of Bonds are to be: (a) contained in a request which is signed by the Owners of at least a majority of the aggregate principal amount of each series of Bonds then

Outstanding and delivered to the Trustee, (b) in accordance with law and the provisions of the Indenture, and (c) accompanied with indemnification of the Trustee as is provided in Section 1101(o) of the Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will be applied as follows:

> FIRST: To the payment of (i) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (ii) any Trustee's Expenses.
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> SECOND: To the payment of interest, principal, and premium, if any, then due on the Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of Article 9 of the Indenture) and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal, and premium, if any, and Parity Swap Payment Obligations then due ratably, and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.
>
> THIRD: Subject to the provisions of the Indenture described in "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund,"* to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date then to their payment ratably, according to the amount due, to the persons entitled to it without discrimination or privilege.
>
> FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of any of the Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be a Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any monies derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

All rights of action (including the right to file proofs of claim) under the Indenture or under any Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production of them in any trial or other proceeding relating to them. Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining

as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Bonds, the Swap Providers, and the Credit Issuers in accordance with the terms of the Indenture.

Rights and Remedies of the Bondowners

No Bondowner, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture, for the execution of any trust created under the Indenture, for the appointment of a receiver or any other remedy, unless

(a) an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture or of which the Trustee is deemed to have notice by the terms of the Indenture,

(b) the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute an action, suit or proceeding in its own name,

(c) the Trustee has been offered indemnity as provided in the Indenture, and

(d) the Trustee thereafter fails or refuses to exercise the powers granted in the Indenture or to institute an action, suit or proceeding in its own name.

No Bondowner, Swap Provider or Credit Issuer has any right to affect, disturb, or prejudice the security of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the Indenture for the equal and ratable benefit of all the Bondowners, Swap Providers, or Credit Issuers in accordance with the priority provided in the Indenture. Nothing in the Indenture, however, affects or impairs the right of Bondowners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, premium, if any, and interest on any Bonds, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, to Bondowners, Swap Providers, and Credit Issuers, respectively, at the time and place, from the source and in the manner expressed in the Indenture and the Bonds (if applicable).

Waivers of Events of Default

The Trustee may waive any Event of Default under the Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of all Bonds then outstanding in respect of which the failure to pay the principal of, premium, if any, or interest on which has resulted in an Event of Default or of the Owners of a majority in principal amount of each Series of Bonds then Outstanding in the case of any other Event of Default. Notwithstanding the preceding sentence, the Trustee may not waive any Event of Default in the payment of the principal of, premium, if any, or interest on any Bond unless prior to the waiver all arrears of principal, premium, if any, and interest on the Bonds for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for.

The Trustee

The Trustee accepts and agrees to perform the duties of the Trustee under the Indenture upon the terms and conditions set forth therein.

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, but only upon the occurrence

of an Event of Default or an Event of Nonappropriation, the Trustee has a lien with right to payment prior to payment on account of the principal of, premium, if any, and interest on any Bond, any Swap Payment Obligation and any Credit Facility Payment Obligations upon the Trust Estate and any other collateral securing the Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation for the payment of the Trustee's Expenses. To the extent permitted by the Wisconsin Statutes and Wisconsin Constitution, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture.

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the last known holders of all Bonds then Outstanding as shown by the Registration Books.

The Trustee may, and upon receipt of a request to do so from the Owners of a majority of the principal amount of Bonds then Outstanding and upon indemnity being provided as required by the Indenture must, intervene on behalf of the holders of Bonds in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of the holders of Bonds. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (a) into which the Trustee may be converted or merged, (b) with which the Trustee may be consolidated, (c) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole or (d) resulting from a conversion, sale, merger, consolidation or transfer to which the Trustee is a party becomes successor Trustee under the Indenture and is vested with all of the title to the Trust Estate and the Trustee's interest in the Indenture and all the trusts, powers, discretions, immunities, privileges, and all other matters as its predecessor was without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

The Trustee and any successor Trustee may at any time resign from the trusts the Indenture created by giving 30 days written notice by registered or certified mail to the State and the Registered Owners. A resignation takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

The Trustee may be removed at any time without cause (a) of the direction of the State (so long as no Default or Event of Default under the Indenture has occurred, whether or not continuing) or (b) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee and the State. A removal takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or

otherwise becomes incapable of acting under the Indenture, a successor may be appointed by an instrument or concurrent instruments in writing signed by the holders of a majority of the aggregate principal amount of the Bonds then Outstanding. In case of a vacancy the State by an instrument executed and signed by an Authorized Department Representative in accordance with applicable law may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the holders of Bonds in the manner described above. Any temporary Trustee appointed by the State immediately and without further act is superseded by the Trustee appointed by the holders of Bonds. Every Trustee so appointed must be a trust company or a bank in good standing having a reported capital and surplus of not less than $10,000,000 or having assets under administration of not less than $200,000,000 if there is an institution willing, qualified and able to accept the trust upon reasonable and customary terms and have the qualifications required by the Act.

Any successor Trustee appointed under the Indenture will execute, acknowledge, and deliver to its predecessor and to the State an instrument in writing accepting its appointment under the Indenture and thereupon the successor, without any further act, deed, or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessor. Any predecessor agrees, nevertheless, on the written request of the State or of its successor, to execute and deliver an instrument transferring to its successor all the estates, properties, rights, powers and trusts of the predecessor under the Indenture. Any predecessor Trustee agrees it will deliver to its successor all securities, money, investments, and other property held by it in any Indenture Fund, a list of all checks or other fund transfers which the Trustee has issued or made but which have not been paid on the date the successor trustee becomes the Trustee under the Indenture, a copy of the Registration Book certified by the Trustee to be correct, executed originals of all letters of credit, policies of bond insurance, or other Credit Facilities relating to the Bonds, all printed but unissued Bonds, all Bonds in the Trustee's possession which are to be but have not been destroyed, executed originals of all indemnity bonds relating to the Bonds, a list of all stop transfer orders held by the Trustee and such other documents and information as the successor trustee reasonably requests. If any instrument in writing from the State is required by any successor Trustee for more definitely and certainly vesting in the successor the estate, rights, powers, and duties vested or intended to be vested in the predecessor the State agrees to execute, acknowledge, and deliver any and all requested instruments in writing on request. The instrument appointing a successor under the Indenture will be filed and/or recorded by the successor Trustee in each filing or recording office where any document providing collateral security for the Indenture has been filed and/or recorded.

In the event the Trustee is changed the predecessor Trustee which has resigned or been removed ceases to be trustee of the Indenture Funds and bond registrar and paying agent for principal of, premium, if any, and interest on the Bonds and the successor Trustee becomes the Trustee, the bond registrar and paying agent.

It is the intent of the State and the Trustee that the Indenture not violate the law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in that jurisdiction. It is recognized that in case of litigation under the Indenture, and in particular in case of the enforcement on an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the Indenture or hold title to the Trust Estate or take any other action which may be desirable or necessary in connection therewith, it may be necessary for the Trustee to appoint an additional individual or institution as a separate or co-trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers

The State and the Trustee may, without the consent of or notice to the Bondowners or Swap Providers, enter into an indenture or indentures supplemental to the Indenture which are not inconsistent with the terms and provisions of the Indenture in order to:

(a) provide for the issuance of Additional Bonds;

(b) cure any ambiguity or formal defect or omission in the Indenture;

(c) grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee provided that such amendment does not adversely affect the rights or interests of any Swap Provider;

(d) subject to the Indenture additional revenues, properties, or collateral; or

(e) supplement the Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners, or any Swap Provider.

Supplemental Indentures Requiring the Consent of Bondowners and Swap Providers

In addition to supplemental indentures described above under "SUMMARY OF THE INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers*", the State and the Trustee, with the prior written consent of the Owners of a majority of the aggregate principal amount of each series of Bonds then Outstanding and each Swap Provider, may enter into an indenture or indentures supplemental to the Indenture as the State and the Trustee deem necessary and desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture. No supplemental indenture, however, may permit (a) an extension of the stated maturity or reduction in the principal amount of, reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of or a reduction in the amount or extension of the time for any payment required by any sinking fund or principal fund applicable to any Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, (b) the creation of any lien prior to or, except in connection with the issuance of Additional Bonds, on a parity with the lien of the Indenture, without the consent of the Owners of all Bonds at the time Outstanding, or (c) a reduction in the aggregate principal amount of Bonds the Owners of which are required to consent to any supplemental indenture without the consent of the Owners of all Bonds at the time Outstanding which would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a supplemental indenture, the Trustee agrees, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the supplemental indenture by registered or certified mail to the Registered Owner of each of the Bonds at the Registered Owner's Address subject, for so long as the Bonds are in Book Entry System, to the Letter of Representations. The notice will briefly set forth the nature of the proposed supplemental indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Bond. If, within sixty days or any longer period as is prescribed by the State following the mailing of the notice, consent of the Owners of a majority of the aggregate principal amount of each series of Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions of the Indenture or their operation, in any manner to question the propriety of the execution of the supplemental indenture or to enjoin or restrain the

Trustee or the State from executing the supplemental indenture or from taking any action pursuant to the provisions of the supplemental indenture. Upon the execution of any supplemental indenture as provided in the Indenture, the Indenture is modified and amended in accordance with it.

Miscellaneous

Any consent, request, direction, approval, objection, or other instrument required by the Indenture to be signed by Bondowners may be in any number of concurrent writings of similar tenor. Proof of the execution of any consent, request, direction, approval, objection, or other instrument is sufficient for any of the purposes of the Indenture, and is conclusive in favor of the Trustee with regard to any action taken by it, if it contains or is accompanied by (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (ii) an affidavit of any witness to the execution. The ownership of Bonds and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Unless provided to the contrary in a specific section of the Indenture, all notices, certificates, or other communications under the Indenture are deemed given when delivered or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the Indenture. The State shall give written notice to each Rating Agency of each of the following events, promptly following the occurrence thereof:

(a) the redemption or defeasance of all the Outstanding Bonds; or

(b) a change in the Auction Period or Interest Period for the Series B Bonds.

Certain Rights of the Bond Insurers

The scheduled payment of principal of and interest on the Series A Bonds is guaranteed under an insurance policy issued by Financial Security Assurance Inc.. The scheduled payment of principal of and interest on the Series B Bonds is guaranteed under an insurance policy issued by XL Capital Assurance Inc. The Indenture provides that, so long as the respective Bond Insurer is not in default under its Bond Insurance Policy, the Bond Insurer shall have certain rights, including, without limitation, the rights: (i) to consent to certain amendments to the Indenture and (ii) to direct the Trustee, and to consent to the direction of the Trustee by the Bondowners, to undertake or refrain from taking certain actions, including the exercise of remedies under the Indenture with respect to the Bonds of the Series insured by that Bond Insurer. The Indenture further conditions the exercise by the State of a number of rights described herein with respect to the Bonds, and with respect to fiduciaries, upon the consent of the Bond Insurers. The Indenture also restricts the investment of monies in the funds and accounts established under the Indenture to a certain subset of the Qualified Investments.

AUCTION RATE CERTIFICATES

The following provides information about the Auction Rate Certificates (**ARCs**), which is the mode in which the Series B Bonds were initially issued. The following provides information about the manner of determining the interest rate on the ARCs, auction procedures, settlement procedures, and broker-dealer agreements. The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is made to the full text of the Indenture.

Broker-Dealer Agreements

As of the date of this Annual Report, the State and the Auction Agent have entered into separate Broker-Dealer Agreements with UBS Financial Services Inc., Citigroup Global Markets Inc., Bear, Stearns & Co. Inc., and JPMorgan Securities Inc. with respect to each subseries of ARCs.

Definitions

For purposes of this section "AUCTION RATE CERTIFICATES", the following are defined terms that are specific to the ARCS and may not be included in the "GLOSSARY".

Applicable ARCs Rate means the interest rate on a subseries of the ARCs for any period after the Initial Interest Period.

Applicable LIBOR-Based Rate means (a) for an Auction Period of 8 days or less, One-Week LIBOR, (b) for an Auction Period of 35 days or less, One-Month LIBOR, (c) for an Auction Period of more than 35 days but less than 115 days, Three-Month LIBOR, (d) for an Auction Period of more than 114 days but less than 195 days, Six-Month LIBOR, and (d) for an Auction Period of more than 194 days, One-Year LIBOR.

Applicable Number of Business Days means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

ARCs means the Series B Bonds.

Auction means each periodic implementation of the Auction Procedures on an Auction Date, as described herein.

Auction Agency Agreement means the Auction Agency Agreement dated as of December 1, 2003, between the Trustee, the Auction Agent, and the State, and any similar agreement with a successor Auction Agent, in each case as from time to time amended or supplemented.

Auction Agent means any person appointed as such pursuant to the Indenture or its successor (initially, Deutsche Bank Trust Company Americas).

Auction Date means the Business Day immediately preceding the first day of each respective Interest Period, other than:

- each Interest Period commencing after the ownership of the ARCs of such Subseries is no longer maintained in book-entry form by the Depository;
- each Interest Period commencing after the occurrence and during the continuance of a Payment Default;
- any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default; or
- any Interest Period commencing on a Failed Conversion Date.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to the Indenture as described below under "AUCTION RATE CERTIFICATES; Changes in Auction Periods or Auction Date."

Auction Period means, with respect to any subseries of ARCs, the Interest Period applicable thereto, which initially shall consist generally of 28 days, as the same may be changed pursuant to the Indenture as described below under "AUCTION RATE CERTIFICATES; Changes in Auction Periods or Auction Date."

Broker-Dealer means for any subseries of the ARCs, any broker-dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (a) is a Participant (or an affiliate of a Participant), (b) has a capital surplus of at least $100,000,000, (c) has been selected by the State with the approval of the Market Agent (which approval shall not be unreasonably withheld), and (d) has entered into a Broker-Dealer Agreement that remains effective.

Broker-Dealer Agreement means each Broker-Dealer Agreement dated as of December 1, 2003 between the State, an Auction Agent and the initial Broker-Dealers and each other agreement between the State, the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

Business Day means any day other than such dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer and the State, or a Saturday, Sunday, or day on which banks located in the City of New York, New York, the New York Stock Exchange, or the payment office or principal office of the Trustee or the Auction Agent, are authorized or permitted by law or executive order to close.

Depository means The Depository Trust Company or any successor depository, selected or approved by the State.

Existing Owner means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the existing owner registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction a Person who is a beneficial owner of ARCs.

Failed Conversion means the failure to meet the conditions set forth in the Indenture to convert one or more subseries of ARCs to a different mode as described in "SUMMARY OF THE INDENTURE; Mode Conversion," which failure results in the ARCs continuing in the Auction Rate Certificate mode.

Failed Conversion Date means a date on which the ARCs are required to be tendered for purchase as described in the Official Statement, but for which the conditions to such purchase are not met.

Initial Interest Period means, for each subseries of ARCs, the period ending on the date set forth under "Determination of Applicable ARCs Rate" below.

Interest Payment Date means, with respect to any subseries of ARCs, the Business Day following the last day of each Interest Period, except as provided in the Indenture, *provided, however,* that if the duration of the Interest Period is one year or longer, then the Interest Payment Date therefor shall be each May 1 and November 1 (or if such date is not a Business Day, then the next succeeding Business Day) during such Interest Period and the Business Day following the last day of such Interest Period; and shall also mean the maturity date of the Bonds, or if such day is not a Business Day, the next succeeding Business Day (but only for interest accrued through the last day of the Interest Period next preceding such Interest Payment Date).

Interest Period means (a) unless otherwise changed as described herein, with respect to each subseries of ARCs, the Initial Interest Period, and thereafter any of (i) a period, generally of 28 days, beginning on and including a Monday (or the day following the last

day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on and including the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), (ii) a period, generally of 28 days, beginning on and including a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on and including the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (iii) a period, generally of 28 days, beginning on and including a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on and including the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day), (iv) a period, generally of 28 days, beginning on and including a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on and including the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case ending on and including the next succeeding day followed by a Business Day) or (v) a period, generally of 28 days, beginning on and including a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on and including the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case ending on and including the next succeeding day which is followed by a Business Day), and (b) if the Auction Periods are changed as provided herein, each period from an Interest Payment Date to but excluding the next succeeding Interest Payment Date.

LIBOR Determination Date means the Auction Date, or if no Auction Date is applicable, the Business Day immediately preceding the first day of each Interest Period.

Market Agent means the market agent or market agents appointed pursuant to the Indenture, and its or their successors or assigns.

Market Agent Agreement means the Market Agent Agreement dated as of December 1, 2003, between the Trustee and each Market Agent, and any similar agreement with a successor Market Agent, in each case as from time to time amended or supplemented.

Maximum Rate means the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State.

One-Week LIBOR, One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR, or **One-Year LIBOR** each means the offered rate, as determined by the Auction Agent or the Trustee, as applicable, for United States dollar deposits for the respective periods specified above which appears on Telerate Page 3750, as reported by Bloomberg Financial Markets Commodities News (or such other page as may replace Telerate Page 3750 for the purpose of displaying comparable rates) as of approximately 11:00 a.m. London time, on the LIBOR Determination Date; *provided,* that if on any calculation date, no rate appears on Telerate Page 3750 as specified above, the Auction Agent or the Trustee, as applicable, shall determine the arithmetic mean of the offered quotations for four major banks in the London interbank market, for deposits in U.S. dollars for the respective periods specified above to the banks in the London interbank market as of approximately 11:00 a.m., London time, on such calculation date and in a principal amount of not less that $1,000,000 that is representative of a single transaction in such market and at such time, unless fewer than two

such quotations are provided, in which case, the Applicable LIBOR-Based Rate shall be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Auction Agent or the Trustee, as applicable, are quoting on the relevant LIBOR Determination Date for loans in U.S. dollars for the respective periods specified above to leading European banks in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market at such time. All percentages resulting from such calculations shall be rounded upwards, if necessary, to the nearest one hundredth of one percent.

Payment Default means failure to make any payment of interest on, premium, if any, or principal of, any Bonds when due, by the State.

Record Date means (a) if, and for so long as Interest Payment Dates are specified to occur at the end of each Auction Period, the Applicable Number of Business Days immediately preceding each Interest Payment Date and (b) if and for so long as interest is payable with respect thereto semiannually, one Business Day prior to each Interest Payment Date.

Registrar means the Trustee or any separate registrar appointed under the Indenture with respect to the ARCs.

Securities Exchange Act means the Securities Exchange Act of 1934, as amended.

Payments

So long as the ARCs are registered in the name of the Depository or the nominee thereof, payment of interest (other than at maturity) and premium, if any, on, and of principal at redemption of, the ARCs shall be made to the Depository by wire transfer provided proper wire instructions are received. If the Series B Bonds are not in registered in the name of the Depository, payment of principal will be made by check or draft issued upon the presentation and surrender of the Series B Bonds at the designated office of the Paying Agent. Payment of interest due on the Series B Bonds will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the Record Date.

Determination of Applicable ARCs Rate

Interest on the ARCs shall accrue for each Interest Period and shall be payable in arrears, on each Interest Payment Date.

The rate of interest on the ARCs for each subsequent Interest Period will be the Auction Rate unless the Auction Rate exceeds the Maximum Rate, in which case the rate of interest on the ARCs for such Interest Period shall be the Maximum Rate. Except as described below, if for any reason an Auction is not held on any Auction Date, then the Auction Rate for the next succeeding Interest Period shall equal the Auction Rate in effect for the preceding Interest Period. Notwithstanding the foregoing, if:

(a) the ownership of the ARCs is no longer maintained in Book-Entry Form by the Depository, Auctions will be suspended and the Applicable ARCs Rate for any Interest Period commencing after the delivery of certificates representing ARCs shall equal the Maximum Rate on the Business Day immediately preceding the first day of such Interest Period; or

(b) a Payment Default occurs, Auctions will be suspended and the Applicable ARCs Rate for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than the Applicable Number of Business Days after, such Payment Default is cured will equal the Maximum Rate; or

(c) a Failed Conversion occurs, there will be no Auction on the Failed Conversion Date and the Applicable ARCs Rate for the Interest Period commencing on that date shall equal the Maximum Rate.

Auction Procedures

By purchasing ARCs, whether in an Auction or otherwise, each purchaser of the ARCs, or its Broker-Dealer, must agree and shall be deemed by such purchase to have agreed (i) to participate in Auctions on the terms described herein, (ii) to have its beneficial ownership of the ARCs maintained at all times in Book-Entry Form for the account of its Participant, which in turn will maintain records of such beneficial ownership, and (iii) to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request. Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (w) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book-entry form by the Depository, (x) each Interest Period commencing after the occurrence and during the continuance of a Payment Default, (y) any Interest Period commencing less than the Applicable Number of Business Days after the cure of a Payment Default, or (z) any Interest Period commencing on a Failed Conversion Date). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the following manner (such procedures to apply separately to each subseries of the ARCs).

Changes in Auction Periods or Auction Date

Changes in Auction Period or Periods

In order to conform with then current market practice with respect to similar securities, or in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the ARCs, and with the written consent of the State, the Market Agent may change, from time to time, the length of one or more Auction Periods. The Market Agent shall, not less than three days nor more than twenty days prior to the effective date of such change, deliver to the State a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall initiate the change in the length of one or more Auction Periods by giving written notice to the Trustee, the Auction Agent, the State, and the Depository in substantially the form, or containing substantially the information, contained in the Indenture at least ten days prior to the Auction Date for such Auction Period.

Any such changed Auction Period shall not be less than seven days. The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as described above and the Auction immediately preceding the proposed change.

The change in length of one or more Auction Periods shall take effect only if (a) the Trustee and the Auction Agent receive, by 11:00 a.m. on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Market Agent authorizing the change in the length of one or more Auction Periods specified in such certificate and (b) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (a) above is not met, the Applicable ARCs Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (a) is met but the condition referred to in (b) above is not met, the Applicable ARCs Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change.

Changes in the Auction Date

In order to conform with then current market practice with respect to similar securities, or in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARCs, and with the written consent of the State, the Market Agent may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined with respect to one or more specified Auction Periods. The Market Agent shall, not less than three days nor more than twenty days prior to the effective date of such change, deliver to the State a written request for consent together within a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least ten days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the State and the Depository.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VIII of the Annual Report. See "AUCTION RATE CERTIFICATES; Definitions" for other capitalized terms that relate to the Series B Bonds initially issued as ARCs.

Accrued Interest means interest accrued on any Series of Bonds from their dated date to the date of their issuance and delivery.

Accumulated Unused Sick Leave Liability means the State's unfunded liability under Sections 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40, Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

Act or **Enabling Act** means Section 16.527, Wisconsin Statutes, as from time to time amended.

Additional Bonds means any Bonds authenticated and delivered upon original issuance in addition to the Bonds as authorized pursuant to the Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Annual Appropriation Amount means, for any Fiscal Year which is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year, plus the amount in the following clause (h), and for any Fiscal Year which is the second Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (h):

(a) the amount of principal of Bonds Outstanding coming due during the Fiscal Year;

(b) the amount of principal of Bonds Outstanding to be redeemed (whether pursuant to mandatory or optional redemption provisions) during the Fiscal Year, with the amount to be redeemed pursuant to optional redemption determined based on the amount set forth in: (i) with respect to the Bonds, the Schedule attached to the Indenture, as modified pursuant to the Indenture, and (ii) with respect to any Additional Bonds, the schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional Bonds are issued, for the Fiscal Year;

(c) interest to be paid during the Fiscal Year with respect to Fixed Rate Bonds Outstanding;

(d) interest that would be payable during the Fiscal Year with respect to Variable Rate Bonds Outstanding, determined at the maximum rate specified with respect thereto;

(e) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider; provided, that any payment that is determined without limit as to amount shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(f) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year except to the extent included in (a) through (e) above;

(g) estimated administrative expenses, if they will be payable from the Operating Expense Fund during the Fiscal Year; and

(h) the amount of all Swap Termination Payments which are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium which includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest to accrue on such Swap Termination Payments to the date on which they are reasonably expected to be made, provided that for interest determined based on a variable rate, interest shall be calculated at the maximum rate permitted in the Swap Agreement and if no maximum rate is specified, a rate of 15% per annum.

Appropriated Funds means (a) all amounts appropriated by law pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, Section 20.505(1)(it), Wisconsin Statutes, or any successor provision, and Section 20.505(1)(iq), Wisconsin Statutes, or any successor provision from year to year with respect to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations; and (b) any other amounts appropriated by law for payment of the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations.

Appropriations Fund means the fund by that name established pursuant to the Indenture.

Authorized Denomination or **Authorized Denominations** means (a) with respect to the Series A Bonds, $5,000 or any multiple thereof and (b) with respect to the Series B Bonds, $50,000 or any multiple thereof.

Authorized Department Representative means the person identified in a written certificate which is signed by the Secretary of Administration, which contains a specimen of the Authorized Department Representative's signature and which has been delivered to the Trustee. Authorized Department Representative includes any alternate or alternates designated in the certificate in the same manner. An Authorized Department Representative or alternate may be an employee of the Department.

Authorizing Certification means a written certification of the Department of Administration pursuant to Section (5)(a) of the Act, as it may be amended in accordance with the terms of the Indenture, executed by the Secretary of Administration or his or her designee and delivered to the Governor, authorizing the execution and delivery of the Indenture and the Bonds, or authorizing the execution and delivery of a Supplemental Indenture and one or more Series of Additional Bonds.

Beneficial Owner means the owner of a beneficial interest in Bonds.

Biennium means the two-Fiscal Year period beginning July 1 of each odd-numbered year.

Bond Counsel means Counsel whose legal opinions on municipal bond issues are nationally recognized.

Bond Insurance Policies means, collectively, the policies of municipal bond insurance issued by the Bond Insurers insuring the Bonds.

Bond Insurers means Financial Security Assurance Inc., with respect to the Series A Bonds, and XL Capital Assurance Inc., with respect to the Series B Bonds, or any successors thereto or assignees thereof.

Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, of the State contracted by the Department of Administration pursuant to the Act and an Authorizing Certification in the aggregate principal amount of $1,794,850,000 and which is divided into two Series designated Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates), which are issued, authenticated and delivered pursuant to the Indenture.

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

Budget Bill means, for the Biennia commencing July 1, 2005 and thereafter, (i) the executive budget bill or bills described under Section 16.47, Wisconsin Statutes, or any successor provision thereto, introduced into either house of the Legislature of the State, as introduced, (ii) the budget bill as adopted by either house of the Legislature of the State, and (iii) the budget bill as approved in whole or in part by the Governor and enacted into law.

Business Day means a day which is not (a) a Saturday, Sunday, or legal holiday, (b) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office or (c) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed.

Closing Statement means the certificate signed by an Authorized Department Representative required by the Indenture.

Counsel means an attorney admitted to practice before the highest court of any state.

Credit Facility or **Credit Facilities** means the Bond Insurance Policies and any standby or direct pay letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy, or other insurance commitment or other agreement or ancillary arrangement (other than a Swap Agreement), satisfactory to the State, that is provided by a commercial bank, insurance company or other entity to pay or further secure payment of debt service on Bonds or the purchase of Bonds upon tender.

Credit Facility Payment Obligations means all payment and reimbursement obligations of the State to a Credit Issuer in connection with any Credit Facility securing all or a portion of any Bonds.

Credit Issuer means the issuer of a Credit Facility, including Bond Insurers.

DTC means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York.

Debt Service Account means each Debt Service Account of the Debt Service Fund established pursuant to the Indenture.

Debt Service Fund means the fund by that name established pursuant to the Indenture.

Default means the occurrence of an event which, with the lapse of time or the giving of notice or both, is an Event of Default.

Defeasance Obligations means noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America not redeemable at the option of the State or anyone acting on its behalf prior to maturity.

Department or **Department of Administration** or **DOA** means the Department of Administration of the State.

Deposit Amount means the amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including the amount set forth in: (i) with respect to the Bonds, the schedule attached to the Indenture as modified as described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund,"* and (ii) with respect to Additional Bonds, the schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional Bonds are issued), interest on Bonds, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds.

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 beneficial ownership in the Bonds in Book Entry Form.

Designated Trust Office means the corporate trust office designated by the Trustee.

Event of Default as used in or with reference to the Indenture has the meaning attributed to it under "SUMMARY OF THE INDENTURE; Defaults and Remedies".

Event of Nonappropriation means the insufficiency of Appropriated Funds in any Fiscal Year to pay when due all principal, redemption premium and interest on the Bonds and all Parity Swap Payment Obligations.

Fiscal Year means the 12-month fiscal period commencing on July 1 of each year and ending on June 30 of the succeeding year.

Fitch shall mean Fitch Ratings and its successors and assigns.

Fixed Rate Bonds means any Bonds, the interest rate on which is established (with no right to vary) at a single numerical rate for the remaining term of such Bonds.

Funded Interest means proceeds of the Bonds deposited with the Trustee to pay interest on Bonds or any Parity Swap Payment Obligations.

Governor means the governor of the State.

Immediate Notice means notice by telephone, telex, or telecopier to such address as the addressee shall have directed in writing, promptly followed by written notice by hand delivery, by first-class mail, postage prepaid, or by nationally recognized overnight commercial carrier,

airbill prepaid; provided, however, that if any Person required to give an Immediate Notice shall not have been provided with the necessary information as to the telephone, telex or telecopier number of an addressee, Immediate Notice shall mean written notice by hand delivery or by nationally recognized overnight commercial carrier, airbill prepaid.

Indenture means the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee.

Indenture Funds means the funds created under of the Indenture and described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts."

Interest Payment Date means any date specified in the Indenture or a Supplemental Indenture for the payment of interest of Bonds.

Issuance Expenses means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the Bonds in connection with the issuance and sale of the Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel, counsel to the Trustee and counsel to the Purchaser), fees and expenses of financial advisors, feasibility consultants and accountants, rating agency fees, fees of the Trustee, printing costs, and recording expenses, fees and expenses related to any Credit Facility or Swap Agreement in connection with the Bonds, fees and costs related to exchange listings, and costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and any other fees, costs or expenses in connection with the Indenture or the Bonds as determined by an Authorized Department Representative.

Letter of Representations means the Letter of Representations dated December 12, 2003 between the State and the Depository Trust Company, relating to the Bonds.

Maximum Rate means the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State.

Moody's means Moody's Investors Service, Inc. and its successors and assigns.

Operating Expense Fund means the fund by that name established pursuant to the Indenture.

Opinion of Bond Counsel means an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers.

Opinion of Counsel means an opinion in writing signed by legal counsel who may be an employee of or counsel to the State and who shall be satisfactory to the Trustee.

Outstanding when used with reference to Bonds means all Bonds which have been authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds or portions of Bonds after (i) payment at maturity or redemption prior to maturity, or (ii) delivery to the Trustee by the State for cancellation pursuant to the Indenture,

(b) Bonds for the payment or redemption of which there has been irrevocably deposited with the Secretary of Administration or Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act.

(c) Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange or replacement as provided in the Indenture, and

(d) for purposes of any agreement, acceptance, approval, waiver, consent, request or other action to be taken under the Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the State.

Owner, **Bondowner** or **Registered Owner** when used with reference to a Bond means the person who is the registered owner of a Bond.

Parity Swap Payment Obligations means Swap Payment Obligations exclusive of all Swap Termination Payments, except for Swap Termination Payments the amount of which was included in the calculation of Annual Appropriation Amount for a Fiscal Year for which a Budget Bill has been enacted (but not including appropriations continued from the prior Fiscal Year pursuant to Section 20.002(1), Wisconsin Statutes).

Participant means a broker-dealer, bank or other financial institution for which DTC or a successor Depository holds Bonds from time to time as a securities depository.

Payment means the payment of part or all of the Unfunded Prior Service Liability and Accumulated Unused Sick Leave Liability.

Payment Cost means any cost of the Payment and the issuance of the Bonds, including but not limited to paying accrued or Funded Interest, Issuance Expenses, making deposits to reserve funds, paying administrative expenses, paying the costs of credit enhancement or making payments under any Swap Agreement or Credit Facility.

Payment Date means a date on which payment of a Principal Installment or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

Person means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (ii) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

Purchaser means the initial purchaser of Bonds, whether one or more.

Qualified Investments means any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act or under other applicable law:

(a) direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association or any corporation chartered by an act of Congress,

(b) securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where

securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,

(c) unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,

(d) certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks and credit unions located in the State,

(e) banker's acceptances accepted by banks located in the United States,

(f) commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and

(g) any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law.

Rating means one of the rating categories of a Rating Agency then rating the Bonds.

Rating Agencies or **Rating Agency** means Moody's, Fitch, S&P, or any other rating agency requested by the State to maintain a Rating on any of the Bonds.

Rating Confirmation means a letter from each of at least two Rating Agencies then providing a Rating for the Bonds confirming that the action proposed to be taken by the State will not, in and of itself, have the effect of reducing the underlying Rating then applicable to the Bonds or of causing any such Rating Agency to suspend or withdraw the underlying Rating then applicable to the Bonds.

Redemption Notice Information means information in a written and dated notice from the Trustee which (a) identifies the Bonds to be redeemed by the name of the issue (including the name of the State and any Series designation), CUSIP number, if any, date of issue, interest rate (for Fixed Rate Bonds), maturity date and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed, (b) identifies the date on which the notice is published and the date on which the Bonds will be redeemed, (c) states the price at which the Bonds will be redeemed, (d) states that interest on the Bonds or the portions of them called for redemption will stop accruing from the redemption date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the redemption date, (e) states that payment for the Bonds will be made on the redemption date at the Designated Trust Office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part, and (f) identifies by name and phone number a representative of the Trustee who may be contacted for more information. For so long as the Bonds are in a Book Entry System, Redemption Notice Information also includes the information and procedures described in the Letter of Representations.

Redemption Price means with respect to any Bond, 100% of the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof.

Registered Owner's Address means the address, which a Registered Owner may change upon written request to the Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

Registration Books means books maintained by the Trustee on behalf of the State at the Designated Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange or replacement of any of the Bonds.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

Secretary of Administration means the Secretary of the Department.

Series means all Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a Series in an Authorizing Certification, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of such Bonds.

Series A Bonds means the $850,000,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate).

Series B Bonds means the $944,850,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series B (Taxable Auction Rate Certificates).

Stabilization Fund means the reserve fund by that name established pursuant to the Indenture.

Stabilization Fund Amount means the amount deposited in the Stabilization Fund, as provided in the Closing Statement, or such greater amount deemed reasonable and designated in writing by an Authorized Department Representative.

State means the State of Wisconsin.

Subordinated Payment Obligations Fund means the fund by that name established pursuant to the Indenture.

Subordinated Swap Payment Obligations means all Swap Payment Obligations payable by the State except Parity Swap Payment Obligations.

Supplemental Indenture means any trust indenture which has been duly executed and delivered by the State and the Trustee amendatory of the Indenture or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is authorized under the Indenture.

Swap Agreement or **Swap** means any agreement or ancillary arrangement between the State and a Swap Provider relating to the Bonds and identified by the Department of Administration pursuant to the Indenture, including indexing agreements, interest exchange agreements or any other similar transaction.

Swap Payment Obligations means, for any period of time, all net amounts payable by the State (including Swap Termination Payments payable by the State) under any Swap Agreement.

Swap Provider means the State's counterparty under a Swap Agreement, which shall have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement, except the State's counterparty or counterparties under a Swap Agreement or Swap Agreements having an aggregate notional amount equal to no greater than 33% of the principal amount of the Bonds then Outstanding may have a rating of "A" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement.

Swap Revenues means all amounts received by the State or the Trustee pursuant to any Swap Agreement, including without limitation, any Swap Termination Payment.

Swap Termination Payment means, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the State by reason or on account of the early termination of such Swap Agreement, together with any interest thereon. The term Swap Termination Payment shall not include net unpaid amounts up to the Swap Agreement termination date which would have been payable by the Swap Provider or the State, as the case may be, pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Trust Estate means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

Trustee's Consent means the prior written consent of the Trustee.

Trustee's Expenses means the reasonable and necessary fees and expenses of the Trustee with respect to the Indenture or the Bonds and those for any legal, accounting, financial, or other experts reasonably retained by the Trustee. Trustee's Expenses also include the fees, charges and expenses of any additional paying agent for the Bonds.

Unfunded Prior Service Liability means the State's unfunded prior service liability under Section 40.05(2)(b), Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

U.S. Government Obligations means obligations which are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

Variable Rate Bonds means any Bonds which bear a variable interest rate or rates which rate is not established at the time of calculation at a single numerical rate for the remaining term of such Bonds.

Written Request means a request in writing signed by an Authorized Department Representative.