

*The following Offering Memorandum is placed on the internet as a matter of convenience. The Offering Memorandum has been reformatted to PDF format for use on the internet; physical appearance may differ from that of the printed Offering Memorandum. In the event of discrepancies, individuals should refer to the printed Offering Memorandum. Copies of the printed Offering Memorandum can be obtained from the remarketing agents listed on the cover or:*

*Capital Finance Office  
Department of Administration  
Division of Executive Budget and Finance  
101 East Wilson Street  
Madison, Wisconsin 53702*

*e-mail: [capfin@mail.state.wi.us](mailto:capfin@mail.state.wi.us)  
Phone:(608) 266-5355  
Fax: (608) 266-7645*

## **OFFERING MEMORANDUM**

*In the opinion of Foley & Lardner, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, and other federal tax legislation, the interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. See "TAX EXEMPTION" herein.*

## **STATE OF WISCONSIN**

**\$99,270,000**

### **GENERAL OBLIGATION COMMERCIAL PAPER NOTES OF 1997, SERIES A**

The \$99,270,000 General Obligation Commercial Paper Notes of 1997, Series A (the "Notes") offered hereby are issued as the first series of notes under the State of Wisconsin (the "State") General Obligation Commercial Paper Program (the "Program") as established pursuant to the Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes, adopted by the State Building Commission on March 20, 1997 (the "Program Resolution"). Under the Program, the State may issue general obligation commercial paper notes at one time or from time to time, in one or more series, up to an aggregate outstanding principal amount of \$300 million to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, equipment or facilities (the "Projects") as may be specified in supplemental resolutions to the Program Resolution. The Notes are issued as interest-bearing obligations, in book-entry form, in denominations of \$100,000 and additional increments of \$1,000 above \$100,000.

The Notes are general obligations of the State to which the State's full faith, credit and taxing power are pledged. The State has entered into a credit agreement with The Bank of Nova Scotia, New York Agency and Commerzbank AG, New York Branch (collectively, the "Banks"), pursuant to which, subject to certain conditions, the Banks will severally provide liquidity in the form of a line of credit in the amount of \$300 million for the payment of the principal of and interest on the Notes.

*This Offering Memorandum contains certain information regarding the Notes. All references to documents and other materials are qualified in their entirety by reference to the complete provisions of the documents and other material referenced, which may be examined at the State of Wisconsin, as described herein. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after March 20, 1997, and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since March 20, 1997.*

**GOLDMAN, SACHS & CO.**

**MERRILL LYNCH & CO.**

March 20, 1997

# STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF NOTES

## BUILDING COMMISSION MEMBERS

### Voting Members

	<b>Term of Office Expires</b>
Governor Tommy G. Thompson, Chairperson	January 4, 1999
Senator Rodney C. Moen	January 4, 1999
Senator Fred A. Risser	January 8, 2001
Senator Tim Weeden	January 4, 1999
Representative Timothy Hoven	January 4, 1999
Representative Clifford Otte	January 4, 1999
Representative Robert Turner	January 4, 1999
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor

### Nonvoting, Advisory Members

Mr. Mark D. Bugher Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi State Chief Engineer Department of Administration	_____
Mr. Wilbert King State Chief Architect Department of Administration	_____

### Building Commission Secretary

Mr. Robert Brandherm (also serves as Administrator, Division of Facilities Development of the Department of Administration)	At the pleasure of the Building Commission and Secretary of Administration
--	--

## OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 4, 1999
Mr. James E. Doyle State Attorney General	January 4, 1999

## DEBT MANAGEMENT AND DISCLOSURE

Department of Administration  
Capital Finance Office  
101 E. Wilson Street, 10th Floor  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
Telefax (608) 266-7645  
capfin@mail.state.wi.us

Mr. Frank R. Hoadley  
Capital Finance Director  
(608) 266-2305  
hoadlf@mail.state.wi.us

Mr. Lawrence K. Dallia  
Assistant Capital Finance Director  
(608) 267-7399  
dallil@mail.state.wi.us

Mr. David R. Erdman  
Capital Finance Officer  
(608) 267-0374  
erdmad@mail.state.wi.us

## **OFFERING MEMORANDUM**

**\$99,270,000**

## **STATE OF WISCONSIN**

### **GENERAL OBLIGATION COMMERCIAL PAPER NOTES OF 1997, SERIES A**

#### **INFORMATION CONCERNING THE OFFERING**

Goldman, Sachs & Co. and Merrill Lynch & Co. (collectively, the “Dealers”) have been initially appointed to serve as the Dealers for the \$99,270,000 State of Wisconsin General Obligation Commercial Paper Notes of 1997, Series A (the “Notes”), issued pursuant to a Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes, adopted by the State Building Commission on March 20, 1997 (the “Program Resolution”) and a Supplemental Resolution Authorizing and Awarding Not to Exceed \$99,270,000 State of Wisconsin General Obligation Commercial Paper Notes of 1997, Series A (the “Supplemental Resolution”). This Offering Memorandum relates to the offering, from time to time, of up to \$99,270,000 aggregate principal amount of the Notes under the Issuing and Paying Agency Agreement, dated as of April 3, 1997 (the “Issuing and Paying Agency Agreement”) between the State and Bankers Trust Company (the “Issuing and Paying Agent”). The aggregate principal amount of general obligation commercial paper notes outstanding under the Program may be increased or decreased from time to time as provided in the Program Resolution and other supplemental resolutions to the Program Resolution.

#### **THE NOTES**

##### **Purpose of the Notes**

The Notes are being issued pursuant to Subchapter I of Chapter 18 of the Wisconsin Statutes, which authorizes the issuance and sale of public debt for up to the amount specified by the Wisconsin Legislature to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, equipment or facilities. See APPENDIX A for the status, as of February 28, 1997, of each borrowing purpose or program, including the limitations, the amounts borrowed to date, the amounts borrowed through issuance of the Notes and the amounts remaining to be borrowed.

##### **Description of the Notes**

The Notes will be dated the date of their respective authentication, will be issued as interest-bearing obligations in denominations of \$100,000 and additional increments of \$1,000 above \$100,000 and, except as described below, will be issued in book-entry form through the book-entry system of The Depository Trust Company (“DTC”). Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance and payable at maturity. The Notes are not callable prior to maturity.

The Notes will mature no later than 270 days from the date of issuance; provided, so long as the Liquidity Facility (see “LIQUIDITY FACILITY” for a discussion of the initial Liquidity Facility) is in effect, no Notes may be issued with a maturity date after the stated expiration date of the Liquidity Facility or after the stated expiration date of a substitute Liquidity Facility. Interest is computed on the basis of a 365 or 366 day year, and the actual number of days elapsed. The principal of and interest on the Notes in book-entry form will be paid at maturity to DTC and distributed by it to its Participants as described below.

##### **Book-Entry Form**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered master note certificate will be issued covering all series of notes, and will be deposited with the Issuing and Paying Agent as the agent for DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's

records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the State, or the Issuing and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State or the Issuing and Paying Agent, and disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the State or the Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC; the State takes no responsibility for its accuracy.

No assurance can be given by the State, the Issuing and Paying Agent, nor the Dealers that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the Notes. The State assumes no liability for the failure of DTC, Direct Participants or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the Notes.

Similarly, no assurance can be given by the State, the Issuing and Paying Agent, nor the Dealers that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

### **Security for the Notes**

The State expects to pay the principal of and interest on the Notes with the proceeds of additional Notes until the State provides permanent financing in the form of general obligation bonds for the purposes and projects which are being initially financed by the Notes.

The State further expects to amortize the outstanding Notes in accordance with the State's customary fiscal policy by making the following payments into the Note Fund: (i) on November 1 of each year, an amount equal to the aggregate amount of interest on the Notes calculated for the period May 1 through October 30 and (ii) on May 1 of each year, an amount equal to the aggregate amount of interest on the Notes calculated for the period November 1 through April 30 plus an amount required to amortize the original amount of Notes as identified in the Supplemental Resolution. Such payments, as and when made, will be applied by the Issuing and Paying Agent in payment of outstanding Notes on the maturity dates of the Notes on or next succeeding May 1 and November 1, as appropriate.

The Notes are general obligations of the State to which its full faith, credit and taxing power are pledged to the punctual payment of the principal and interest on the Notes. There has been irrevocably appropriated through Section 20.866 of the Wisconsin Statutes, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of and interest on the Notes as the same mature and become due.

Pursuant to a Credit Agreement dated April 3, 1997, between the State, The Bank of Nova Scotia, acting through its New York Agency and Commerzbank AG, acting through its New York Branch (collectively, the "Banks"), the Banks have agreed to make advances to the State, if necessary and subject to certain

conditions, to provide moneys for the payment of principal of and interest on the Notes when due. See "LIQUIDITY FACILITY" and "DESCRIPTION OF BANKS" herein.

Proceeds from the sale of the Notes will be immediately paid over from the Note Fund to the State for deposit by the State into the capital improvement fund, for application to the purposes described above. See "THE NOTES; Purpose of the Notes". The proceeds of the Notes will not provide security for the Notes.

### **Ratings**

Both the Notes and the Program are expected to be rated F-1+ by Fitch Investors Service, L.P., P-1 by Moody's Investor's Service, Inc. and A-1+ by Standard & Poor's Rating Group. Any explanation of the significance of a rating may only be obtained from the rating service furnishing such rating. There is no assurance a rating given to the Notes or the Program will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the rating service if in its judgment circumstances so warrant. Any such downgrade or withdrawal of such rating may have an adverse effect on the market price of the Notes.

The State's general obligation bonds are currently rated AA+ by Fitch Investor's Service, L.P., Aa2 by Moody's Investors Service, Inc. and AA by Standard & Poor's Ratings Group.

## **DESCRIPTION OF THE BANKS**

### **The Bank of Nova Scotia**

The Bank of Nova Scotia ("Scotiabank") was founded in 1832 in Halifax, and currently employs more than 34,000 people in 1,464 branches and offices throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

For the fiscal year ended October 31, 1996, Scotiabank recorded total assets of CDN\$157.3 billion and total deposits of CDN\$117.9 billion (all amounts shown are in Canadian dollars). Net income for the fiscal year ended October 31, 1996 equaled CDN\$1.069 billion, compared to CDN\$876 million for the prior fiscal year.

Scotiabank's activities include providing a full range of retail, commercial and corporate banking services through its extensive network of branches located in all Canadian provinces and territories.

Outside Canada, Scotiabank has branches and offices in over 40 countries, which provide a wide range of banking and related financial services, either directly or through subsidiary and associated banks, first companies and other financial firms.

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as, a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, One Liberty Plaza, New York, New York 10006. Attention: Public Finance Department.

### **Commerzbank AG**

As of December 31, 1996, Commerzbank is the third largest publicly-held banking institution in terms of assets in Germany. Commerzbank and its consolidated subsidiaries are engaged in a broad range of commercial and investment banking services and related activities in Germany and around the world. Commerzbank functions as a full service commercial and investment bank. In certain specialized areas, such as mortgage lending, leasing, asset management, fund management, real estate activities and equity participations, Commerzbank provides services through its subsidiaries. As of December 31, 1995, Commerzbank had total assets of U.S. \$281.1 billion (U.S.\$ 1= DM 1.4378 closing price as of December 29, 1995. Bloomberg). Commerzbank's capital stock is

publicly held by more than 190,000 shareholders and is quoted on all eight German stock exchanges as well as on the stock exchanges of Amsterdam, Antwerp, Barcelona, Basel, Berne, Brussels, Geneva, Lausanne, London, Luxembourg, Madrid, Milan, Paris, Tokyo, Vienna and Zurich. There is also a sponsored-ADR program in the USA.

In Germany, Commerzbank operates 940 branches that provide banking services to three million private customers. Abroad, Commerzbank maintains nearly 80 offices in 35 countries. Commerzbank is directly represented in all major financial and industrial centers with its own subsidiaries, branches or representative offices and employs approximately 1,600 staff abroad. It also has numerous holdings in leading local and regional financial institutions.

Commerzbank conducts extensive banking business in the United States, concentrating primarily in corporate lending, letter of credit and bankers acceptance facilities, participations in syndicated loan transactions and treasury operations including foreign exchange transactions. Commerzbank has branches in New York, Chicago and Los Angeles and has an agency office in Atlanta.

For further information on the Commerzbank Group, a copy of Commerzbank's annual report can be obtained by contacting Karin Rapaglia at 2 World Financial Center, New York, New York 10281.

Under the banking laws of the Federal Republic of Germany, all German banks are subject to supervision by the Federal Banking Supervisory Office (Bundesaufsichtsamt für das Kreditwesen), the Federal Securities Trading Supervisory Commission (Bundesaufsichtsamt für den Wertpapierhandel), and by the German Central Bank (Deutsche Bundesbank). The Federal Banking Supervisory Office has the power, inter alia, to issue and revoke licenses, to issue regulations on capital and liquidity requirements, to demand the removal of members of the management banks, to inspect books and records, to designate the contents required in reports on financial matters by banks and to take action where deposits are considered to be at risk. Bank lending activities in the Federal Republic of Germany are regulated closely under the German Banking Law (Kreditwesengesetz) (the "Banking Law"), as amended most recently on October 24, 1994. The Banking Law and directives of the European Union, of which Germany is a member, contain provisions on solvency, long-term lending and investments. The Banking Law also contains limits on large loans to individual borrowers. Compliance with and enforcement of these regulations are supervised through extensive reporting requirements. In addition, Commerzbank is subject to extensive regulation by the countries in which it operates.

The New York branch of Commerzbank is licensed by the Superintendent of Banks of the State of New York (the "Superintendent"), is subject to the banking laws of the State of New York and is examined by the New York State Banking Department. Commerzbank's branches in Chicago and Los Angeles are subject to similar regulation by the state in which they operate. In addition to being subject to state laws and regulations, Commerzbank is also subject to federal regulation under the International Banking Act and, through the International Banking Act, the Bank Holding Company Act.

## **LIQUIDITY FACILITY**

### **Advances**

In order to provide liquidity for the payment of the principal of and interest on maturing Notes, the State has entered into the Credit Agreement dated April 3, 1997 with the Banks (the "Credit Agreement", which is defined as the initial Liquidity Facility Agreement in the Program Resolution) pursuant to which each of the Banks has agreed, subject to certain conditions precedent, to severally make advances ("Advances") from time to time on any business day during the term of the Credit Agreement, in amounts not to exceed



at any time one-half of the outstanding commitment amount under the Credit Agreement, solely for the purpose of providing funds to pay the principal of and interest on Notes on the maturity date thereof to the extent that proceeds of other Notes or other moneys on deposit in the Note Fund are not available therefor.

The aggregate principal amount of all Advances made on any date may not exceed the outstanding commitment amount under the Credit Agreement (which is defined as initially \$300 million, as such amount may be reduced from time to time pursuant to the Credit Agreement, but in no event less than the sum of the outstanding notes issued pursuant to the Program Resolution plus the aggregate principal amount of all outstanding Advances provided by the Banks).

The State's obligation to repay such Advances will be evidenced by its delivery to each Bank of one or more promissory notes (the "Promissory Note") in an aggregate principal amount equal to the amount of all Advances authorized under the Credit Agreement. The Promissory Note ranks equally with the Notes.

### **Conditions to Advances**

The Banks obligation to make Advances is subject to immediate termination as described in the Credit Agreement upon the occurrence of an Event of Default which constitutes a defined "Event of Termination" under the Credit Agreement. Each of the following is a defined Event of Termination:

- (i) The State shall become insolvent or admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee, custodian, liquidator or receiver shall be appointed for its or for a substantial part of its property or revenues and shall not be discharged within a period of sixty (60) days; or the Wisconsin Legislature imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any Debt (as defined in the Credit Agreement) by the State; or all, or any substantial part, of the property of the State shall be condemned, seized, or otherwise appropriated, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the State (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of sixty (60) days;
- (ii) The State shall fail to pay any amount of principal of or interest on any Advance when the same shall become due and payable pursuant to this Agreement or the Promissory Notes, or the State shall fail to pay any principal of or interest on any Note when the same shall become due and payable;
- (iii) The Credit Agreement or the Program Resolution or any material provision thereof at any time after its execution and delivery, or the Promissory Notes or any Notes shall, for any reason, cease to be valid and binding on the State or in full force and effect or shall be declared to be null and void, in each case, pursuant to a final administrative determination or judicial decision from which there shall not exist any further right of appeal or against which a timely appeal shall not have been filed by the State; or the validity or enforceability of the Credit Agreement, the Promissory Notes, the Program Resolution or any Note shall be contested (i) by the State or (ii) by any governmental agency or authority having jurisdiction over the State, unless with respect to clause (ii) above, the same is being contested by the State in good faith and by appropriate proceedings or the State shall deny that it has any or further liability or obligation under the Credit Agreement, the Promissory Notes, the Program Resolution or any Note;

(iv) The State shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Bonded Debt of the State, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Bonded Debt, or pursuant to the provisions of any such indenture, contract or instrument, the maturity of any Bonded Debt of the State shall have been or, as a result of a payment default of any nature, may be accelerated or required to be prepaid prior to the stated maturity thereof; and

(v) Each Rating Agency (as defined in the Credit Agreement) then rating the Notes shall have downgraded any Bonded Debt of the State to below investment grade or withdrawn its rating on any Bonded Debt of the State due to credit considerations.

In addition, if any Event of Default as defined in the Credit Agreement occurs, the Banks may deliver to the State and Issuing and Paying Agent a notice upon receipt of which the State shall cease issuing Notes (a “No-Issuance Notice”, as described below).

Upon receipt of a No-Issuance Notice, the State shall cease issuing Notes unless and until such No-Issuance Notice is rescinded. Prior to the occurrence of an Event of Termination and the Banks termination of the Credit Agreement, a No-Issuance Notice shall not affect the obligation of the Banks to make Advances with respect to the payment of Notes issued prior to the receipt by the State of such No-Issuance Notice.

The Program Resolution permits the State to replace the initial Liquidity Facility Agreement with another comparable agreement or agreements with any other bank or banks provided that such substitution meets all of the qualifications set forth in the Program Resolution, including, but not limited to, written evidence from each rating agency (two in number at a minimum) which is then rating the Notes to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension or reduction of its ratings of the Notes from those which then prevail. In the event that a different agreement is substituted for the initial Liquidity Facility Agreement, references in the Program Resolution to the Liquidity Facility Agreement refer to such substitute Liquidity Facility Agreement. Any such substituted Liquidity Facility Agreement may have covenants, events of default, conditions to borrowing and other provisions different from those referred to above.

Interested purchasers should review the Program Resolution and Liquidity Facility Agreement at length. The Program Resolution and Liquidity Facility Agreement may be examined upon reasonable prior notice at the State of Wisconsin at the address set forth herein during regular business hours. Prospective purchasers may address questions with respect to the offering of the Notes to the State of Wisconsin at the address set forth herein.

## **INFORMATION ABOUT THE STATE**

Information concerning the State, its operations and financial condition and general obligation debt is included as APPENDIX B, which includes by reference Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 1996 (the “Annual Report”).

Requests for additional information concerning the State can be obtained from the Capital Finance Office, Attn.: Mr. Frank R. Hoadley, Capital Finance Director, (608) 266-2305, 101 East Wilson Street, P.O. Box 7864, Madison, Wisconsin 53707-7864.

## **FINANCIAL ADVISOR**

First Albany Corporation is employed by the State to perform professional services in the capacity of financial advisor. In First Albany Corporation's role as financial advisor to the State, it has provided advice on the structuring of the Program and assisted in preparation of this Offering Memorandum.

## **LEGAL OPINION**

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approval of Foley & Lardner, Bond Counsel, whose approving opinion, substantially in the form shown in APPENDIX C, will be delivered on the date of issue of the Notes. In the event certificated Notes are issued, the opinion will be printed on the reverse side of each Note.

As required by law, the Attorney General will examine a certified copy of all proceedings preliminary to issuance of the Notes to determine the regularity and validity of such proceedings. In the event certificated Notes are issued, the certificate of the Attorney General will be printed on the reverse side of each Note.

## **TAX EXEMPTION**

In the opinion of Bond Counsel, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and the interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers.

The opinions set forth in the preceding paragraph are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and other federal tax legislation that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent it may lawfully do so. Failure to comply with certain of such requirements may cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. The proceedings authorizing the Notes do not provide for an increase in interest rates or a redemption of the Notes in the event of taxability.

The Code contains numerous provisions which could affect the economic value of the Notes to particular Note owners. For example, (i) Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Notes or, in the case of financial institutions, that portion of an owner's interest expense allocable to interest on the Notes, (ii) property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Notes, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest, (iii) interest on the Notes earned by certain types of corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income, and (vi) Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of

such benefits in gross income by reason of receipt or accrual of interest on the Notes. The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership of the Notes. There may be other provisions of the Code which could adversely affect the value of an investment in the Notes for particular Note owners. Investors should consult their own tax advisors with respect to the tax consequences of owning a Note.

---

Any statements in this Offering Memorandum involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Offering Memorandum is not to be construed as a contract or agreement between the State and the purchasers or owners of any of the Notes.

This Offering Memorandum is submitted only in connection with the offering of the Notes by the Dealers and may not be reproduced or used in whole or in part for any other purpose, except with express permission.

Dated: March 20, 1997

**STATE OF WISCONSIN**

/s/ Tommy G. Thompson

Governor Tommy G. Thompson, Chairperson  
State of Wisconsin Building Commission

/s/ George F. Lightbourn

George F. Lightbourn, Deputy Secretary  
State of Wisconsin Department of Administration

/s/ Robert Brandherm

Robert Brandherm, Secretary  
State of Wisconsin Building Commission

**APPENDIX A**  
**STATE OF WISCONSIN**  
**GENERAL OBLIGATION ISSUANCE STATUS REPORT**  
**February 28, 1997**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date <sup>(a)</sup></u>	<u>Interest Earnings <sup>(b)</sup></u>	<u>Total Authorized Unissued Debt</u>	<u>1997 Series A Commercial Paper Notes</u>	<u>Remaining Authority <sup>(a)</sup></u>
University of Wisconsin; academic facilities.....	\$ 732,814,300	\$ 682,892,229	\$ 11,056,152	\$ 38,865,919	\$ 2,000,000	\$ 36,865,919
University of Wisconsin; self-amortizing facilities.....	360,381,600	228,912,621	885,733	130,583,246	3,765,000	126,818,246
Natural resources; municipal clean drinking water grants.....	9,800,000	9,454,342	141,849	203,809		203,809
Clean water fund.....	553,194,000	259,935,573	16,111	293,242,316	21,000,000	272,242,316
Natural resources; nonpoint source grants.....	20,000,000	16,375,658	133,452	3,490,890		3,490,890
Natural resources; environmental repair.....	31,500,000	12,170,000	142,343	19,187,657	3,210,000	15,977,657
Natural resources; segregated revenue supported dam maintenance, repair, modification, abandonment and removal.....	4,000,000	55,000		3,945,000		3,945,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	146,850,000	145,010,325	0	1,839,675		1,839,675
Natural resources; pollution abatement and sewage collection facilities.....	902,449,800	866,325,888	18,505,755	17,618,157		17,618,157
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	192,972,246	6,288,494	1,339,260	1,339,260	0
Natural resources; recreation projects.....	56,055,000	56,053,036	(267)	2,231		2,231
Natural resources; local parks land acquisition and development.....	2,490,000	2,429,349	42,248	18,403	10,000	8,403
Natural resources; recreation development.....	23,061,500	22,568,166	143,457	349,877		349,877
Natural resources; land acquisition.....	45,608,600	45,070,269	491,670	46,661	45,000	1,661
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,442,545	17,174	40,281		40,281
Natural resources; segregated revenue supported facilities.....	14,749,900	7,534,722	41,566	7,173,612	2,780,000	4,393,612
Natural resources; general fund supported administrative facilities.....	6,733,500	5,411,075	17,799	1,304,626		1,304,626
Natural resources; ice age trail.....	750,000			750,000		750,000
Natural resources; dam maintenance, repair, modification, abandonment and removal.....	5,500,000	5,130,000	48,645	321,355	215,000	106,355

**STATE OF WISCONSIN  
GENERAL OBLIGATION ISSUANCE STATUS REPORT  
February 28, 1997**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date <sup>(a)</sup></u>	<u>Interest Earnings <sup>(b)</sup></u>	<u>Total Authorized Unissued Debt</u>	<u>1997 Series A Commercial Paper Notes</u>	<u>Remaining Authority <sup>(a)</sup></u>
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,498,446		1,554		1,554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	106,825,000	1,290,661	122,884,339	6,660,000	116,224,339
Transportation; administrative facilities.....	8,890,400	8,759,479	0	130,921		130,921
Transportation; accelerated bridge improvement.....	46,849,800	46,849,800				
Transportation; rail passenger route development..	50,000,000			50,000,000		50,000,000
Transportation; accelerated highway improvements.....	185,000,000	185,000,000				
Transportation; connecting highway improvements.....	15,000,000	15,000,000				
Transportation; federally aided highway facilities.....	10,000,000	10,000,000				
Transportation; highway projects.....	41,000,000	41,000,000				
Transportation; harbor improvements.....	12,000,000	8,345,000	233,120	3,421,880	135,000	3,286,880
Transportation; rail acquisitions and improvements.....	14,500,000	8,405,000		6,095,000	760,000	5,335,000
Corrections; correctional facilities.....	480,087,500	378,011,762	7,991,673	94,084,065	16,000,000	78,084,065
Corrections; self-amortizing equipment.....	6,110,000	700,000	70	5,409,930		5,409,930
Health and family services; mental health facilities.....	88,712,500	69,000,268	675,694	19,036,538	2,000,000	17,036,538
Health and family services; juvenile correctional facilities.....	29,441,500	21,623,556	97,374	7,720,570	500,000	7,220,570
Building commission; previous lease rental authority.....	143,171,600	143,068,654		102,946		102,946
Building commission; refunding corporation self-amortizing debt.....	2,686,600			2,686,600		2,686,600
Building commission; refunding tax-supported general obligation debt.....	1,740,000,000	1,700,210,460 <sup>(c)</sup>		39,789,540		39,789,540
Building commission; refunding self-amortizing general obligation debt.....	180,000,000	175,804,003 <sup>(c)</sup>		4,195,997		4,195,997
Building commission; housing state departments and agencies.....	219,525,600	161,674,121	1,055,251	56,796,228	400,000	56,396,228

**STATE OF WISCONSIN  
GENERAL OBLIGATION ISSUANCE STATUS REPORT  
February 28, 1997**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date <sup>(a)</sup></u>	<u>Interest Earnings <sup>(b)</sup></u>	<u>Total Authorized Unissued Debt</u>	<u>1997 Series A Commercial Paper Notes</u>	<u>Remaining Authority <sup>(a)</sup></u>
Building commission; 1 West Wilson street parking ramp.....	15,100,000	13,500,000	282,460	1,317,540		1,317,540
Building commission; project contingencies.....	19,659,000	8,490,000	52,859	11,116,141		11,116,141
Building commission; capital equipment acquisition.....	67,129,800	54,199,191	721,995	12,208,614		12,208,614
Building commission; discount sale of debt.....	65,000,000	35,513,190		29,486,810	7,605,000	21,881,810
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 <sup>(c)</sup>		11,167		11,167
Building commission; other public purposes.....	736,956,000	528,927,391	4,101,302	203,927,307	30,312,497	173,614,810
Medical College of Wisconsin, Inc.; basic science education facility.....	10,000,000	8,000,000		2,000,000		2,000,000
Educational communications board; educational communications facilities.....	7,429,600	6,746,539	36,946	646,115	48,000	598,115
Historical society; self-amortizing facilities.....	3,073,600	1,029,156	4,036	2,040,408		2,040,408
Historical society; historic records.....	400,000			400,000		400,000
Historical society; historic sites.....	1,839,000	1,825,513		13,487	243	13,244
Historical society; museum facility.....	4,384,400	4,236,000		148,400	45,000	103,400
Education; state schools and library facilities.....	7,367,700	7,289,197	32,508	45,995		45,995
Military affairs; armories and military facilities.....	18,215,200	15,672,527	196,237	2,346,436	100,000	2,246,436
Veterans affairs; Wisconsin veterans home.....	9,990,100	7,508,065	176,284	2,305,751	10,000	2,295,751
Veterans affairs; self-amortizing mortgage loans.....	1,661,000,000	1,498,841,589	3,998,475	158,159,936		158,159,936
Veterans affairs; refunding bonds.....	625,000,000	586,954,245		38,045,755		38,045,755
Veterans affairs; self-amortizing housing facilities.....	1,629,400			1,629,400		1,629,400
State fair park board; housing facilities.....	13,000,000	4,800,000		8,200,000	85,000	8,115,000
State fair park board; self-amortizing facilities.....	27,850,000	19,408,800	6,102	8,435,098	245,000	8,190,098
<b>Total</b>	<b>\$10,020,537,500</b>	<b>\$8,546,448,829</b>	<b>\$58,925,228</b>	<b>\$1,415,163,443</b>	<b>\$99,270,000</b>	<b>\$1,315,893,443</b>

<sup>(a)</sup> On March 20, 1997, the State issued its \$23,460,000 General Obligation Refunding Bonds of 1997, Series 1 and \$21,360,000 General Obligation Bonds of 1997, Series A which are not reflected in these amounts.

<sup>(b)</sup> Interest earnings reduce issuance authority by the same amount.

<sup>(c)</sup> Interest scheduled to accrue on any obligation that is not payable during the current fiscal year is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

## **APPENDIX B**

### **INFORMATION ABOUT THE STATE**

This appendix includes information concerning the State of Wisconsin and general obligation debt of the State. Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 1996 (the "Annual Report") are included by reference as APPENDIX B hereof.

Part II to the State Annual Report contains certain general information about the State, including information about the State's operations and financial procedures, the State's accounting and financial reporting, the organization and description of services provided by the State, certain financial information about the State, the results of the 1995-96 fiscal year, the State budget, State obligations, and the State Investment Board, together with statistical information about the State's population, income and employment. Included as Appendix A to Part II are the audited general purpose financial statements for the fiscal year ending June 30, 1996, prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

Part III to the State Annual Report contains certain information concerning general obligations issued by the State under Chapter 18 of the Wisconsin Statutes, including a discussion of the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations), data pertaining to the State's outstanding general obligation debt, and the portion of general obligation debt which is revenue-supported general obligation debt.

The Annual Report has been filed with each nationally recognized municipal securities information repository ("NRMSIR"). As of the date of this Offering Memorandum, the Annual Report can be found on the internet at:

<http://www.doa.state.wi.us/debf/scfl.htm>

Subsequent to publication and filing of the Annual Report, certain changes or events have occurred that affect matters discussed in the Annual Report. Listed below, by reference to particular sections of the Annual Report, are the changes or additions to the discussion contained in that particular section. The following changes are disclosed in this Offering Memorandum and have not been filed with the NRMSIRs.

#### **STATE BUDGET (Pages Part II-14 through Part II-16).** Add the following:

In January 1997, revenues and disbursements were reviewed and revised taking into account actual experience through December 1996 and projections through June 1997. On an all-funds basis total available funds for the fiscal year ending June 30, 1997 were estimated to be approximately \$40 million lower than projected in the Annual Report. Total disbursements and reserves for the fiscal year ending June 30, 1997 were estimated to be approximately \$79 million lower than projected in the Annual Report. Therefore, the all-funds balance at June 30, 1997 is now estimated to be approximately \$139 million. The budget is summarized on page B-3.

The projected general-fund balance for June 30, 1997 is the same as the all-funds balance, \$139 million. The budget is summarized on page B-4.

#### **Proposed Budget for 1997-99**

On February 12, 1997 the Governor introduced the executive budget for the 1997-98 and 1998-99 fiscal years. For the fiscal year ending June 30, 1998, the budget on an all-funds basis projects a balance of \$130 million. Total available revenues are estimated to be \$23.176 billion consisting of (i) a beginning balance of \$139 million, (ii) tax revenues of \$9.118 billion and (iii) nontax revenues of \$13.919 billion. Total disbursements and reserves are estimated to be \$23.142 billion, consisting of net disbursements of \$23.012 billion and reserves of \$130 million. This results in an estimated balance of \$34 million which, when combined with the statutorily required balance of \$96 million, results in a balance at June 30, 1998 of \$130 million. The budget is summarized on page B-3.



The projected general-fund balance for June 30, 1998 is the same as the all-fund balance, \$130 million. Total available revenues are estimated to be \$15.712 billion consisting of (i) a beginning balance of \$139 million, (ii) tax revenues of \$9.118 billion and (iii) nontax revenues of \$6.455 billion. Total disbursements and reserves are estimated to be \$15.678 billion, consisting of net disbursements of \$15.548 billion and reserves of \$130 million. The balance is identical to the all-funds amount. The budget is summarized on page B-4.

For the fiscal year ending June 30, 1999, the budget on an all-funds basis projects a balance of \$0.4 million. Total available revenues are estimated to be \$23.640 billion consisting of (i) a beginning balance of \$130 million, (ii) tax revenues of \$9.586 billion and (iii) nontax revenues of \$13.925 billion. Total disbursements and reserves are estimated to be \$23.639 billion, consisting of net disbursements of \$23.476 billion and reserves of \$163 million. This results in an estimated balance of \$0.4 million which, when combined with the statutorily required balance of \$98 million, results in a balance at June 30, 1999 of \$98.4 million. The budget is summarized on page B-3.

The projected general-fund balance for June 30, 1999 is the same as the all-fund balance, \$0.4 million. Total available revenues are estimated to be \$16.008 billion consisting of (i) a beginning balance of \$130 million, (ii) tax revenues of \$9.586 billion and (iii) nontax revenues of \$6.293 billion. Total disbursements and reserves are estimated to be \$16.008 billion, consisting of net disbursements of \$15.844 billion and reserves of \$164 million. The balance is identical to the all-funds amount. The budget is summarized on page B-4.

**Table II-3; State Budget—All Funds (Page Part II-15).** Replace the table with the following:

**State Budget—All Funds<sup>(a)</sup>**

	Actual <sup>(b)</sup> 1995-96	Budget 1995-96	Budget 1996-97	Governor's Proposed Budget 1997-98	Governor's Proposed Budget 1998-99
<b>RECEIPTS</b>					
Fund Balance from Prior Year.....	\$ 400,881,000	\$ 408,880,400	\$ 579,943,800	\$ 138,980,800	\$ 129,646,900
<b>Tax Revenue</b>					
Individual Income.....	4,183,604,000	4,160,100,000	4,465,000,000	4,740,000,000	5,014,800,000
General Sales and Use.....	2,704,226,000	2,710,000,000	2,860,000,000	3,017,500,000	3,191,500,000
Corporate Franchise and Income.....	636,010,000	650,000,000	640,000,000	637,000,000	658,500,000
Public Utility.....	285,288,000	284,600,000	295,600,000	273,700,000	269,600,000
<b>Excise</b>					
Cigarette/Tobacco Products.....	205,350,000	206,300,000	206,400,000	225,400,000	225,000,000
Liquor and Wine.....	30,813,000	30,500,000	30,800,000	30,500,000	30,500,000
Malt Beverage.....	9,187,000	9,000,000	9,000,000	9,000,000	9,000,000
Inheritance, Estate & Gift.....	45,602,000	41,000,000	44,000,000	45,000,000	45,000,000
Insurance Company.....	92,285,000	96,000,000	92,500,000	93,000,000	93,500,000
Other.....	830,664,000	43,900,000 <sup>(c)</sup>	45,200,000 <sup>(c)</sup>	47,200,000 <sup>(c)</sup>	48,300,000 <sup>(c)</sup>
Subtotal.....	<u>9,023,029,000</u>	<u>8,231,400,000</u>	<u>8,688,500,000</u>	<u>9,118,300,000</u>	<u>9,585,700,000</u>
<b>Nontax Revenue</b>					
Departmental Revenue.....	128,256,000	174,683,100	150,409,000	141,949,100	141,805,900
Total Federal Aids.....	3,275,795,000	3,850,830,600	3,891,800,700	4,179,363,600	4,174,821,800
Total Program Revenue.....	2,179,107,000	2,185,416,200	1,975,161,400	2,304,377,500	2,374,351,500
Total Segregated Funds.....	2,705,320,000	1,908,291,300	1,910,832,300	2,073,543,800	1,962,670,500
Fund Transfers In.....	NA	NA	NA	261,605,900	NA
Bond Authority.....	330,950,000	305,000,000	330,000,000	415,000,000	430,000,000
Employe Benefit Contributions <sup>(d)</sup> .....	6,200,903,000	3,737,890,089	3,976,959,649	4,542,998,211	4,840,878,164
Subtotal.....	<u>14,820,331,000</u>	<u>12,162,111,289</u>	<u>12,235,163,049</u>	<u>13,918,838,111</u>	<u>13,924,527,864</u>
Total Available.....	<u>\$ 24,244,241,000</u>	<u>\$ 20,802,391,689</u>	<u>\$ 21,503,606,849</u>	<u>\$ 23,176,118,911</u>	<u>\$ 23,639,874,764</u>
<b>DISBURSEMENTS AND RESERVES</b>					
Commerce.....	\$ 575,240,000	\$ 305,755,800	\$ 361,145,100	\$ 398,186,300	\$ 375,757,600
Education.....	5,978,715,000	6,008,560,200	6,645,449,700	7,071,045,800	7,191,194,600
Environmental Resources.....	2,057,321,000	1,966,661,500	1,955,734,400	2,018,992,800	2,037,057,400
Human Relations and Resources.....	5,623,499,000	5,507,561,200	5,446,078,300	5,808,085,700	5,955,695,400
General Executive.....	2,146,487,000	437,336,900	568,192,600	594,291,600	595,914,900
Judicial.....	82,503,000	82,558,300	87,716,700	87,927,900	88,178,300
Legislative.....	50,048,000	50,169,100	50,119,600	51,840,600	51,799,900
General Appropriations.....	2,191,850,000	1,827,543,400	1,816,969,400	2,062,722,100	1,955,825,000
General Obligation Bond Program.....	309,320,000	305,000,000	330,000,000	415,000,000	430,000,000
Employe Benefit Payments <sup>(d)</sup> .....	1,317,768,000	1,695,305,629	1,843,607,584	1,889,607,836	2,019,386,350
Reserve for Employe Benefit Payments <sup>(d)</sup> .....	4,883,135,000	2,042,584,460	2,133,352,065	2,653,390,375	2,821,491,814
Subtotal.....	<u>25,215,886,000</u>	<u>20,229,036,489</u>	<u>21,238,365,449</u>	<u>23,051,091,011</u>	<u>23,522,301,264</u>
Less: (Lapses).....	NA	(41,322,800)	(193,300,300)	(39,144,100)	(46,698,800)
Compensation Reserves.....	NA	18,235,000	46,382,400	32,307,900	63,730,700
Required Statutory Balance.....	NA	82,598,400	91,999,900	95,681,200	98,033,100
Fund Transfers Out.....	NA	3,503,800	260,078,500	2,217,200	2,108,600
Federal Retiree Reserve.....	NA	26,600,000	13,100,000	NA	NA
Change in Continuing Balance.....	(1,553,335,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	<u>\$ 23,662,551,000</u>	<u>\$ 20,318,650,889</u>	<u>\$ 21,456,625,949</u>	<u>\$ 23,142,153,211</u>	<u>\$ 23,639,474,864</u>
Fund Balance.....	\$ 581,690,000	\$ 483,740,800	\$ 46,980,900	\$ 33,965,700	\$ 399,900
Undesignated Surplus.....	\$ 581,690,000	\$ 566,339,200	\$ 138,980,800	\$ 129,646,900	\$ 98,433,000

(a) The amounts shown are based on statutorily required accounting and not on GAAP.

(b) The amounts shown are unaudited and rounded to the nearest thousand.

(c) The budgets do not include taxes collected for segregated funds. The largest such tax is the motor vehicle fuel tax, which collected \$676 million in the 1995-96 fiscal year.

(d) State law separates the accounting of employe benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in the Annual Report. Benefits are provided for on a fully funded basis. Therefore, when contributions actually received exceed the benefits actually paid out, the difference is added to the trust funds. In the event that the actual benefit payments exceed the contributions, investment earnings will be used to cover the difference before they are deposited in the Employe Benefit Fund.

Source: Wisconsin Department of Administration.

**Table II-4; State Budget—General Fund (Page Part II-16).** Replace the table with the following:

**State Budget—General Fund<sup>(a)</sup>**

	<b>Actual <sup>(b)</sup> 1995-96</b>	<b>Budget 1995-96</b>	<b>Budget 1996-97</b>	<b>Governor's Proposed Budget 1997-98</b>	<b>Governor's Proposed Budget 1998-99</b>
<b>RECEIPTS</b>					
Fund Balance from Prior Year.....	\$ 400,881,000	\$ 408,880,400	\$ 579,943,800	\$ 138,980,800	\$ 129,646,900
<b>Tax Revenue</b>					
State Taxes Deposited to General Fund					
Individual Income.....	4,183,604,000	4,160,100,000	4,465,000,000	4,740,000,000	5,014,800,000
General Sales and Use.....	2,704,226,000	2,710,000,000	2,860,000,000	3,017,500,000	3,191,500,000
Corporate Franchise and Income.....	636,010,000	650,000,000	640,000,000	637,000,000	658,500,000
Public Utility.....	285,288,000	284,600,000	295,600,000	273,700,000	269,600,000
<b>Excise</b>					
Cigarette/Tobacco Products.....	205,350,000	206,300,000	206,400,000	225,400,000	225,000,000
Liquor and Wine.....	30,813,000	30,500,000	30,800,000	30,500,000	30,500,000
Malt Beverage.....	9,187,000	9,000,000	9,000,000	9,000,000	9,000,000
Inheritance, Estate & Gift.....	45,602,000	41,000,000	44,000,000	45,000,000	45,000,000
Insurance Company.....	92,285,000	96,000,000	92,500,000	93,000,000	93,500,000
Other.....	28,874,000	43,900,000	45,200,000	47,200,000	48,300,000
Subtotal.....	8,221,239,000	8,231,400,000	8,688,500,000	9,118,300,000	9,585,700,000
<b>Nontax Revenue</b>					
Departmental Revenue.....	128,256,000	174,683,100	150,409,000	141,949,100	141,805,900
Program Revenue Federal.....	3,275,795,000	3,457,543,500	3,523,184,100	3,746,964,400	3,776,651,500
Program Revenue Other.....	2,179,107,000	2,185,416,200	1,975,161,400	2,304,377,500	2,374,351,500
Fund Transfers In.....	NA	NA	NA	261,605,900	NA
Subtotal.....	5,583,158,000	5,817,642,800	5,648,754,500	6,454,896,900	6,292,808,900
Total Available.....	\$ 14,205,278,000	\$ 14,457,923,200	\$ 14,917,198,300	\$ 15,712,177,700	\$ 16,008,155,800
<b>DISBURSEMENTS AND RESERVES</b>					
Commerce.....	\$ 164,514,000	\$ 165,757,000	\$ 191,645,400	\$ 198,309,900	\$ 196,865,000
Education.....	5,837,139,000	5,964,122,000	6,600,333,700	7,006,784,000	7,145,889,300
Environmental Resources.....	242,361,000	236,724,600	239,038,900	235,328,800	237,703,900
Human Relations and Resources.....	5,255,874,000	5,329,183,900	5,355,935,200	5,712,226,900	5,849,847,200
General Executive.....	412,906,000	420,885,100	486,673,600	513,950,700	511,864,900
Judicial.....	82,154,000	81,921,900	87,080,300	87,284,000	87,534,400
Legislative.....	50,048,000	50,169,100	50,119,600	51,840,600	51,799,900
General Appropriations.....	1,603,605,000	1,635,804,400	1,641,130,200	1,781,424,900	1,809,077,700
Subtotal.....	13,648,601,000	13,884,568,000	14,651,956,900	15,587,149,800	15,890,582,300
Less: (Lapses).....	NA	(41,322,800)	(193,300,300)	(39,144,100)	(46,698,800)
Compensation Reserves.....	NA	18,235,000	46,382,400	32,307,900	63,730,700
Required Statutory Balance.....	NA	82,598,400	91,999,900	95,681,200	98,033,100
Fund Transfers Out .....	NA	3,503,800	260,078,500	2,217,200	2,108,600
Federal Retiree Reserve .....	NA	26,600,000	13,100,000	NA	NA
Changes in Continuing Balance.....	(25,011,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 13,623,588,000	\$ 13,974,182,400	\$ 14,870,217,400	\$ 15,678,212,000	\$ 16,007,755,900
Fund Balance.....	\$ 581,690,000	\$ 483,740,800	\$ 46,980,900	\$ 33,965,700	\$ 399,900
Undesignated Surplus.....	\$ 581,690,000	\$ 566,339,200	\$ 138,980,800	\$ 129,646,900	\$ 98,433,000

(a) The amounts shown are based on statutorily required accounting and not on GAAP.

(b) The amounts shown are unaudited and rounded to the nearest thousand.

Source: Wisconsin Department of Administration.

**STATE BUDGET; Potential Effect of Litigation; Special Performance Dividend (Page Part II-17).** Add the following:

On January 17, 1997, the State Supreme Court ruled that the Special Investment Performance Dividend (the "SIPD"), which was first paid in 1987, was unconstitutional. The case was remanded to the Circuit Court, with directions that the Circuit Court order defendants to pay from the State treasury to the fixed annuity reserve account of the Wisconsin Retirement System an amount equal to all disbursed SIPD payments (including a \$3.8 million reimbursement to the State for State funds advanced to finance the SIPD), plus interest at the "effective rate" for the fixed annuity division of the Wisconsin Retirement System on all SIPD payments from the date that the payments left the annuity reserve account. The Circuit Court must determine the exact amount due, as well as the mode and timing of the payment. At this time, it is unknown how long the State will be given to pay the remedy directed by the Supreme Court. As of December 31, 1996, this remedy was estimated at \$209 million.

**STATE BUDGET; Potential Effect of Litigation; Computer Software (Page Part II-17).** Add the following:

Upholding prior decisions by the Wisconsin Tax Appeals Commission and Circuit Court, the Court of Appeals has held that computer software is not tangible property and is thus not subject to sales and use taxes. The State Supreme Court has declined to hear the appeal. The cost of this remedy to the State is estimated at \$20 million.

**Table II-7; General Fund Monthly Cash Position (Page Part II-26).** Replace the table with the following:

**GENERAL FUND MONTHLY CASH POSITION**  
**July 1, 1994 through January 31, 1997 <sup>3/4</sup> Actual**  
**February 1, 1997 through June 30, 1997 <sup>3/4</sup> Estimated <sup>(a)</sup>**  
**(Amounts in Thousands)**

	<b>Starting Date</b>	<b>Starting Balance</b>	<b>Receipts <sup>(b)</sup></b>	<b>Disbursements <sup>(b)</sup></b>
1994	July .....	\$ 186,704	\$1,470,855	\$1,398,247
	August .....	259,312	1,052,011	734,930
	September .....	576,393	1,276,805	1,077,444
	October .....	775,754	1,064,641	751,206
	November .....	1,089,189	1,192,576	1,575,886
	December .....	705,879	1,154,400	1,448,653
1995	January .....	411,626	1,390,708	744,552
	February .....	1,057,782	1,044,973	1,037,499
	March .....	1,065,256	1,148,635	1,826,357
	April .....	387,534	1,222,615	931,170
	May .....	678,979	1,228,463	981,567
	June .....	925,875	1,240,931	1,715,816
	July .....	451,090	1,306,431	1,337,712
	August .....	419,809	1,005,527	849,866
	September .....	625,470	1,362,210	1,101,358
	October .....	886,322	1,151,661	810,058
	November .....	1,227,925	1,220,032	1,622,269
	December .....	825,688	1,156,810	1,493,484
1996	January .....	489,014	1,461,087	878,316
	February .....	1,071,785	1,132,269	1,044,288
	March .....	1,159,766	1,240,173	1,888,319
	April .....	511,620	1,402,600	936,278
	May .....	977,942	1,180,704	1,029,277
	June .....	1,129,369	1,362,420	1,922,703
	July .....	569,086	1,279,815	1,434,154
	August .....	414,747	1,030,924	844,258
	September .....	601,413	1,476,166	1,011,367
	October .....	1,066,212	1,137,121	855,357
	November .....	1,347,976	1,201,689	1,691,802
	December .....	857,863	1,191,440	1,728,258
1997	January .....	321,045	1,660,082	969,951
	February .....	1,011,176	1,115,695	1,046,909
	March .....	1,079,962	1,247,692	2,023,643
	April .....	304,011	1,379,004	970,239
	May .....	712,776	1,261,583	984,657
	June .....	989,702	1,390,893	2,030,776

<sup>(a)</sup> The monthly receipt and disbursement projections for February 1, 1997 through June 30, 1997 are based on estimates provided by the Division of Executive Budget and Finance.

<sup>(b)</sup> The receipt amounts shown in July 1994 – 1996 include the proceeds received at closing for the respective operating notes. See “OTHER OBLIGATIONS; Operating Notes” in the Annual Report. The disbursement amounts shown for February, March, April and May 1995–1997 include impoundment payments required in connection with the operating notes.

**Source: Wisconsin Department of Administration.**

**Table II-8; Balances in Funds Available for Interfund Borrowing (Page Part II-27)** Replace the table with the following:

**BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING <sup>(a)</sup>**

**July 1, 1994 to February 1, 1997 — Actual**  
**March 1, 1997 to June 1, 1997 — Estimated <sup>(b)</sup>**

(Amounts in Millions)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Januav .....		\$3,604.96	\$2,991.90	\$3,210.23
February .....		4,204.34	3,428.21	3,553.70
March .....		4,450.34	3,852.78	2,162.05 <sup>(b)</sup>
April .....		3,886.69	3,808.74	2,053.43
May .....		3,022.74	3,402.69	2,007.01
June .....		2,703.44	3,145.00	2,055.69
July .....	\$4,153.73	2,838.71	3,252.38	
August .....	4,502.50	3,143.94	3,511.90	
September .....	4,193.96	2,975.23	3,250.54	
October .....	3,728.02	2,902.89	3,010.27	
November .....	3,214.22	2,630.23	2,687.47	
December .....	3,185.67	2,732.65	2,072.66	

<sup>(a)</sup> Consists of the following funds:

Transportation	Common School
Conservation (Partial)	Normal School
Wisconsin Health Education Loan Repayment	University
Waste Management	Local Government Investment Pool
Wisconsin Election Campaign	Farms for the Future
Investment & Local Impact	Agrichemical Management
Elderly Property Tax Deferral	Historical Society Trust
Lottery	School Income Fund
Children's Trust	Benevolent
Racing	Groundwater
Work Injury Supplemental Benefit	Petroleum Storage Environmental Cleanup
Unemployment Compensation Interest Repayment	Clean Water
Uninsured Employers	Environmental
Health Insurance Risk Sharing Plan	Recycling
Local Government Property Insurance	University Trust Principal
Patients Compensation	Veterans Mortgage Loan Repayment
Mediation	State Building Trust
Agricultural College	

<sup>(b)</sup> Estimated balances for March 1, 1997 and succeeding months include \$480 million (a portion of the estimated balance) for the local government pool of the available funds. The local government pool has varied from a low of \$63 million on July 1, 1983 to a high of \$4.426 billion on March 1, 1994. The pool is composed of funds deposited by local units of government which may be withdrawn without notice. The amounts shown are the estimated balances of funds available for interfund borrowing. Under Section 20.002(11) of the Statutes, interfund borrowing is limited to \$400 million.

**Source: Wisconsin Department of Administration.**

**Table II-9; Revenues Deposited To The General Fund (Page Part II-28).** Replace the table with the following:

**REVENUES DEPOSITED TO THE GENERAL FUND<sup>(a)</sup>**  
**July 1, 1996 to January 31, 1997 compared with previous year.**  
**Unaudited**

	<b>Actual Receipts 1995-96 FY<sup>(b)</sup></b>	<b>Projected Receipts 1996-97 FY</b>	<b>Actual Receipts July 1, 1995 to January 31, 1996</b>	<b>Actual Receipts July 1, 1996 to January 31, 1997</b>
Individual Income Tax .....	\$ 4,183,604,344	\$ 4,430,000,000	\$ 2,238,520,000	\$ 2,443,210,827
General Sales and Use Tax ..	2,704,226,017	2,845,000,000	1,377,209,502	1,454,561,940
Corporate Franchise and Income Tax .....	636,009,525	635,000,000	302,658,121	309,786,777
Public Utility Taxes .....	285,287,485	292,100,000	152,085,279	156,639,507
Excise Taxes .....	245,350,413	244,600,000	125,486,031	131,019,075
Inheritance Taxes .....	45,602,214	46,000,000	20,438,728	22,975,293
Miscellaneous Taxes .....	<u>121,159,011</u>	<u>137,900,000</u>	<u>69,952,958</u>	<u>62,392,076</u>
SUBTOTAL.....	<u>8,221,239,009</u>	<u>8,630,600,000</u>	<u>4,286,350,619</u>	<u>4,580,585,495</u>
Federal Receipts.....	3,275,795,203	3,523,184,100	1,893,980,105	2,003,780,314
Dedicated and .....				
Other Revenues.....	<u>2,307,363,090</u>	<u>2,203,940,600</u>	<u>1,323,189,110</u> <sup>(c)</sup>	<u>1,529,864,575</u> <sup>(c)</sup>
TOTAL.....	<u>\$13,804,397,302</u>	<u>\$14,357,724,700</u>	<u>\$7,503,519,834</u>	<u>\$8,114,230,384</u>

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Accounting and Financial Reporting" in the Annual Report.

(b) The amounts shown are the sum of all revenues for fiscal year 1995-96 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ending June 30, 1996.

(c) The amounts shown do not reflect receipt of \$250 million principal amount in fiscal year 1995-96 and \$150 million principal amount in fiscal year 1996-97 from the sale of operating notes.

**Source: Wisconsin Department of Administration.**

**Table II-10; General Fund Expenditures By Function (Page Part II-29).** Replace the table with the following:

**GENERAL FUND EXPENDITURES BY FUNCTION<sup>(a)</sup>**  
**July 1, 1996 to January 31, 1997 compared with previous year.**  
**Unaudited**

	Actual Expenditures 1995-96 FY <sup>(b)</sup>	Appropriations 1996-97 FY	Actual Expenditures July 1, 1995 to January 31, 1996	Actual Expenditures July 1, 1996 to January 31, 1997
Commerce.....	\$ 164,514,710	\$ 191,645,400	\$ 97,431,970	\$ 113,236,348
Education.....	5,837,139,605	6,600,333,700	2,783,844,737	3,165,181,780
Environmental Resources.....	242,360,896	239,038,900	99,698,246	96,592,425
Human Relations & Resources.....	5,255,874,239	5,355,935,200	2,982,784,076	3,014,780,776
General Executive.....	412,906,488	486,673,600	236,407,208	273,291,624
Judicial.....	82,154,128	87,080,300	54,983,501	59,159,804
Legislative.....	50,047,274	50,119,600	26,404,405	25,649,003
General Appropriations.....	1,603,605,241	1,641,130,200	1,389,328,882	1,409,449,654
TOTAL.....	<u>\$ 13,648,602,581</u>	<u>\$ 14,651,956,900</u>	<u>\$ 7,670,883,025</u>	<u>\$ 8,157,341,414</u>

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. See "STATE GOVERNMENT ORGANIZATION AND FINANCIAL PROCEDURES; Accounting and Financial Reporting" in the Annual Report.

(b) The amounts shown are the sum of all expenditures for fiscal year 1995-96 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ending June 30, 1996.

**Source: Wisconsin Department of Administration.**



**Table II-21; State Investment Fund (Page Part II-44).** Replace the table with the following:

**STATE INVESTMENT FUND  
AS OF DECEMBER 31, 1996 (UNAUDITED)  
Estimated Portfolio Valuation Report**

	Estimated Book Value	Estimated Market Value	Percentage of Portfolio at Market
<i>Fixed Income Investments</i>			
Corporate Bonds .....	\$ 525,393,525	\$ 528,337,313	10.90%
Government Bonds .....	497,915,153	503,716,234	10.39
Other Bonds .....	24,597,550	24,523,679	0.51
<i>Short Term Investments</i>			
Master Notes .....	10,000,000	10,000,000	0.21
Pooled Funds and Mutual Funds .....	374,352	374,352	0.01
Commercial Paper .....	1,064,602,251	1,065,201,211	21.97
Certificates of Deposit .....	109,300,000	109,300,000	2.25
Repurchase Agreements .....	445,600,000	445,600,000	9.19
U.S. Agencies .....	2,193,682,376	2,193,911,912	45.26
<i>Restructured Investments</i>			
Structured Notes .....	35,000,000	28,350,000	0.58
Interest Rate Swaps .....		(73,735,065)	(1.52)
<i>Accrued Income</i> .....	<u>12,076,414</u>	<u>12,076,414</u>	<u>0.25</u>
	<u>\$4,918,541,621</u>	<u>\$4,847,656,050</u>	<u>100.00%</u>

**Average Maturity for the Last Six Months**

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
12/31/1996	47	9/30/1996	45
11/30/1996	45	8/31/1996	46
10/31/1996	44	7/31/1996	44

**Summary of Investment Fund Participants**

	Par Amount (Amounts in Thousands)	Percent of Portfolio
<b>Mandatory Participants</b>		
State of Wisconsin:		
General Fund .....	\$ 321,045	6.9%
Transportation Fund .....	199,360	4.3
Natural Resources Fund .....	46,226	1.0
Bond Security and Redemption Fund .....	7,892	0.2
Lottery Fund .....	84,105	1.8
Patients Compensation .....	6,135	0.1
Veterans Mortgage Loan Repayment .....	95,359	2.1
Capital Improvement Fund .....	94,825	2.1
Others .....	416,973	9.0
State of Wisconsin Retirement System:		
Fixed Retirement Investment Trust .....	274,970	6.0
Variable Retirement Investment Trust .....	24,733	0.5
Combined Stock Fund .....	631,848	13.7
<b>Elective Participants</b>		
Local Government Investment Pool .....	<u>2,417,603</u>	<u>52.3</u>
	<u>\$ 4,621,074</u>	<u>100.0%</u>

**Table III-5; Annual Debt Limit Compared To Actual Borrowing (Page Part III-14).** Replace the table with the following:

**ANNUAL DEBT LIMIT COMPARED  
TO ACTUAL BORROWING  
1987 TO 1996**

Calendar Year	Annual Debt Limitation	Actual Borrowing	Borrowing as Percentage of Limitation
1987 .....	\$ 914,127,417	\$ 46,480,000	5.1%
1988 .....	949,406,681	247,155,000	26.0
1989 .....	999,046,384	218,535,000	21.9
1990 .....	1,060,277,304	484,099,000	45.7
1991 .....	1,131,958,171	359,716,000	31.8
1992 .....	1,196,902,524	427,655,000	35.7
1993 .....	1,287,578,726	129,325,000	10.0
1994 .....	1,387,461,496	289,810,000	20.9
1995 .....	1,511,535,818	368,322,196	24.4
1996 .....	1,627,078,182	353,295,000	21.7

**Source: Wisconsin Department of Administration.**

## APPENDIX C

### PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Notes, it is expected that Foley & Lardner will deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner)

#### STATE OF WISCONSIN GENERAL OBLIGATION COMMERCIAL PAPER NOTES OF 1997, SERIES A

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (the "State") of its General Obligation Commercial Paper Notes of 1997, Series A to an amount not to exceed \$99,270,000 (the "Notes"). The Notes are authorized to be issued and sold from time to time pursuant to the provisions of Chapter 18, Wisconsin Statutes (the "Act") and a resolution adopted by the State of Wisconsin Building Commission (the "Commission") on March 20, 1997 entitled "Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes" (the "Program Resolution"), as supplemented by a resolution adopted by the Commission on March 20, 1997 entitled "Supplemental Resolution Authorizing and Awarding Not to Exceed \$99,270,000 State of Wisconsin General Obligation Commercial Paper Notes of 1997, Series A" (the "Supplemental Resolution").

We investigated the law and examined such certified proceedings and other papers as we deemed necessary to render this opinion. We also reviewed the Credit Agreement, dated April 3, 1997 among the State, The Bank of Nova Scotia, acting through its New York Agency, and Commerzbank AG, acting through its New York Branch (the "Liquidity Facility Agreement"), the Issuance and Paying Agency Agreement, dated April 3, 1997, between the State and Bankers Trust Company (the "Issuing and Paying Agency Agreement"), and the dealer Agreements, dated April 3, 1997, each between the State and either Goldman, Sachs & Co., Merrill Lynch & Co., Lehman Brothers and Bear, Stearns & Co. Inc. (collectively, the Dealer Agreement"). As to questions of fact material to our opinion, we relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Offering Memorandum or other offering material relating to the Notes (except to the extent, if any, stated in the Offering Memorandum), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Offering Memorandum). However, in connection with the rendering of our opinion as to the validity of the Notes, nothing has come to our attention that would lead us to believe that the Offering Memorandum (except for the financial statements and other financial or statistical data included therein, as to which we express no view), as of the date of delivery of the Notes, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Program Resolution has been duly adopted by the Commission.
2. The Supplemental Resolution has been duly adopted by the Commission.
3. The Notes have been duly and validly authorized and, when duly executed in the form and manner provided in the Program Resolution and the Supplemental Resolution, duly

authenticated by the Issuing and Paying Agent and delivered and paid for, will constitute valid and binding general obligations of the State.

4. The full faith, credit and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Notes as the same mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
5. The interest on the Notes is excluded from gross income for federal income tax purposes, and the interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; it should be noted, however, that with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the state comply with all requirements of the Internal Revenue Code of 1986, as amended, and other federal tax legislation that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent it may lawfully do so. Failure to comply with certain such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.
6. The offering and sale of the Notes are not subject to registration with the Securities Exchange Commission under the Securities Act of 1933, as amended, and the Program Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended. We have not passed upon matters pertaining to compliance with the Blue Sky laws of any state in connection with the offering and sale of the Notes.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (i) there is no change in pertinent existing state or federal law; (ii) the Program Resolution and the Supplemental Resolution, in the form in effect on the date hereof, remain in full force and effect; (iii) the representations, warranties and covenants of the parties contained in the Liquidity Facility Agreement, the Issuing and Paying Agent Agreement and the Dealer Agreement and certain certificates dated the date hereof and delivered by authorized officers of the State remain true and accurate and are complied with in all material respects; and (iv) no litigation affecting the issuance or validity of the Notes is pending or threatened at the time of delivery of any such instruments.

Very truly yours,

FOLEY & LARDNER