

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

*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
Phone: (608) 266-5355
Fax: (608) 266-7645*

OFFICIAL STATEMENT

New Issue

In the opinion of 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, interest on the 1997 Series 1 Bonds is excluded for federal income tax purposes from the gross income of the owners of the 1997 Series 1 Bonds. Interest on the 1997 Series 1 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax but may be subject to certain other federal income tax consequences as described under "TAX MATTERS" herein.

\$80,000,000

STATE OF WISCONSIN CLEAN WATER REVENUE BONDS 1997 SERIES 1

DATED: January 15, 1997

DUE: June 1, as shown below

The \$80,000,000 State of Wisconsin Clean Water Revenue Bonds, 1997 Series 1 (the "1997 Series 1 Bonds") shall be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 1997 Series 1 Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 and integral multiples thereof. Beneficial Owners will not receive bond certificates representing their interest in the 1997 Series 1 Bonds purchased. Interest is payable on June 1, 1997 and semiannually thereafter on each June 1 and December 1. Principal and redemption price of and interest on the 1997 Series 1 Bonds will be paid when due by Firststar Trust Company, Milwaukee, Wisconsin (the "Trustee") directly to DTC, which will in turn remit such principal and interest to DTC's Participants for subsequent disbursement to the Beneficial Owners of the 1997 Series 1 Bonds as described herein. See "1997 SERIES 1 BONDS; Book-Entry-Only Form".

The 1997 Series 1 Bonds are issued and secured under the Clean Water Revenue Bond General Resolution (the "General Resolution") adopted by the State of Wisconsin Building Commission. The proceeds of the 1997 Series 1 Bonds will principally be used to make Loans to Municipalities in the State for the construction or improvement of their wastewater facilities and to make deposits in certain funds established under the General Resolution. The 1997 Series 1 Bonds, together with any parity bonds previously or hereafter issued, are special obligations of the State of Wisconsin (the "State") secured by and payable from Pledged Receipts, and other revenues or receipts, funds or moneys pledged therefor pursuant to the General Resolution, including, without limitation, repayment of Loans made to Municipalities, amounts in a Loan Credit Reserve Fund and a Subsidy Fund, as described herein. Certain entities are expected to be the source of 20 percent or more of the cash flow servicing the 1997 Series 1 Bonds and all other parity bonds, as described herein. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS".

The 1997 Series 1 Bonds are not general obligations of the State, its agencies, instrumentalities, or political subdivisions and do not constitute "public debt" of the State as that term is used in the Constitution and Statutes of the State. The State is not obligated to pay the principal or redemption price of or interest on the 1997 Series 1 Bonds from any funds of the State other than those pledged pursuant to the General Resolution.

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
1999	\$2,640,000	4.500%	4.100%	2009	\$4,285,000	5.125%	5.250%
2000	2,760,000	4.500	4.300	2010	4,505,000	5.250	5.350
2001	2,880,000	4.500	4.450	2011	4,740,000	5.300	5.400
2002	3,010,000	4.500	4.550	2012	4,990,000	5.375	5.450
2003	3,150,000	4.600	4.650	2013	5,260,000	5.400	5.500
2004	3,290,000	4.750	100	2014	5,545,000	5.500	5.550
2005	3,445,000	5.250	4.850	2015	5,850,000	5.500	5.600
2006	3,625,000	6.000	4.950	2016	6,170,000	5.600	5.625
2007	3,845,000	6.000	5.050	2017	5,930,000	5.600	5.650
2008	4,080,000	5.100	5.150				

The 1997 Series 1 Bonds maturing on or after June 1, 2008 are subject to optional redemption prior to their stated date of maturity as more fully described herein. See "1997 SERIES 1 BONDS; Redemption Provisions".

The 1997 Series 1 Bonds are offered when, as and if issued by the State and received by the Underwriters, and are subject to the approval of legality by Michael, Best & Friedrich, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, DeWitt Ross & Stevens S.C. It is expected that the 1997 Series 1 Bonds will be available for delivery in New York, New York on or about February 11, 1997.

Bear, Stearns & Co. Inc.

Robert W. Baird & Co.
Incorporated

Dain Bosworth
Incorporated

Piper Jaffray Inc.

M•R•Beal & Company

Goldman, Sachs & Co.

Merrill Lynch & Co.

Carmona, Motley & Co., Inc.

PaineWebber Incorporated

Reinoso & Company
Incorporated

January 23, 1997

No dealer, broker, sales representative or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 1997 Series 1 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Wisconsin or other matters contained herein since the date hereof. The information set forth herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as representation by, the Underwriters.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1997 SERIES 1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	Page		Page
STATE OFFICIALS PARTICIPATING IN THE		Disposition of Loans	19
ISSUANCE AND SALE OF 1997 SERIES 1 BONDS ii		MUNICIPALITIES	20
SUMMARY DESCRIPTION OF 1997 SERIES 1 BONDS ... iii		LOANS	20
INTRODUCTION 1		Requirements Under the Act	20
STATE OF WISCONSIN BUILDING COMMISSION 2		Loan Application Process	20
CLEAN WATER FUND PROGRAM 3		Lending Criteria	21
Overview	3	Levy Limit For Counties	24
Goals	4	Commitments	25
Management of Clean Water Fund	4	Financial Assistance Agreements	25
Capitalization Grants	6	TAX MATERS	26
Operating Agreement with EPA	6	Certain Requirements of Codes	26
Financial Assistance	6	Opinion of Bond Counsel	26
CLEAN WATER FUND PROGRAM PLAN OF FINANCE ... 7		Certain Additional Federal Tax Consequences	26
General	7	OTHER MATTERS	28
Leveraged Loan Program	7	Absence of Litigation	28
Direct Loan Program	7	Legal Investment	29
Proprietary Loan Program	8	Underwriting	29
Below Market Rate Loans	8	Reference Information About the 1997 Series 1 Bonds	29
Program Plan of Finance	8	Financial Advisor	30
1997 SERIES 1 BONDS 8		Ratings	30
General	8	Certain Legal Matters	30
Book-Entry-Only Form	8	CONTINUING DISCLOSURE 31	
Redemption Provisions	10	FURTHER INFORMATION 32	
Registration and Payment of 1997 Series 1 Bonds	11	EXHIBIT A – INFORMATION ABOUT THE STATE A-1	
BOND PLAN OF FINANCE 11		EXHIBIT B – AUDITED FINANCIAL STATEMENTS B-1	
General	11	EXHIBIT C – INFORMATION REGARDING	
Moneys for Leveraged Loan Program	11	MILWAUKEE METROPOLITAN	
Other Moneys	12	SEWERAGE DISTRICT C-1	
Sources and Uses of Funds	12	EXHIBIT D – SUMMARY OF CERTAIN PROVISIONS	
SECURITY AND SOURCE OF PAYMENT FOR BONDS 12		OF GENERAL RESOLUTION D-1	
Revenue Obligations	12	EXHIBIT E – GENERAL INFORMATION	
Pledge of Revenues	12	REGARDING MUNICIPALITIES E-1	
Loans	13	EXHIBIT F – DEFINITIONS OF CERTAIN TERMS F-1	
Subsidy Fund	14	EXHIBIT G – LOAN CREDIT RESERVE FUND	
Loan Credit Reserve Fund	15	SCHEDULES G-1	
Statutory Powers	17	EXHIBIT H – LOANS AND LOAN COMMITMENTS H-1	
State Financial Participation	18	EXHIBIT I – FORM OF BOND COUNSEL OPINION I-1	
Additional Information	18		
Additional Bonds	19		

**STATE OFFICIALS
PARTICIPATING IN THE
ISSUANCE AND SALE OF 1997 SERIES 1 BONDS**

STATE OF WISCONSIN BUILDING COMMISSION MEMBERS

Voting Members

	Term of Office Expires
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	—

State of Wisconsin Building Commission Secretary

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

OTHER PARTICIPANTS

Constitutional Officers

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

Department of Administration

101 E. Wilson Street, 10th Floor
P.O. Box 7864
Madison, WI 53707-7864

Mr. Frank R. Hoadley, Capital Finance Director, (608) 266-2305	—
Mr. Lawrence K. Dallia, Assistant Capital Finance Director, (608) 267-7399	—
Mr. Michael D. Wolff, Finance Programs Administrator, (608) 267-2734	—
Mr. Anthony Timmons, Clean Water Fund Finance Officer, (608) 267-2735	—
Mr. Edward Brinson, Clean Water Fund Investment Analyst, (608) 267-1836	—

Department of Natural Resources

101 S. Webster Street
P.O. Box 7921
Madison, WI 53707-7921

Mr. George E. Meyer, Secretary	At the pleasure of the Governor
Mr. Craig Karr, Administrator Division of Customer Assistance and External Relations (608) 266-5896	—
Ms. Kathryn A. Curtner, Director Bureau of Community Financial Assistance (608) 266-0860	—

SUMMARY DESCRIPTION OF 1997 SERIES 1 BONDS

Information set forth under “SUMMARY DESCRIPTION of 1997 SERIES 1 BONDS” is qualified by the entire Official Statement. A full review of the entire Official Statement should be made by potential investors. Certain capitalized terms are defined in EXHIBIT F.

Description:	State of Wisconsin Clean Water Revenue Bonds, 1997 Series 1
Principal Amount:	\$80,000,000
Denominations:	\$5,000 or integral multiples thereof
Dated Date:	January 15, 1997
Interest Payment:	June 1 and December 1, commencing June 1, 1997
Maturities:	June 1, 1999–2017
Record Date:	May 15 and November 15
Form:	Book-entry-only form.
Purpose:	The 1997 Series 1 Bonds are being issued primarily for the purpose of providing funds to make Loans to Municipalities in the State for the construction or improvement of their wastewater facilities—See “BOND PLAN OF FINANCE; Sources and Uses of Funds”.
Authority for Issuance:	The 1997 Series 1 Bonds are issued under authority granted by Wisconsin Statutes.
Outstanding Bonds:	\$370,930,000 as of January 1, 1997
Clean Water Fund Program:	The State has established three loan programs; the Leveraged Loan Program, the Direct Loan Program and the Proprietary Loan Program. Repayments from Leveraged Loans (sometimes referred to in this Official Statement as “Loans”) are pledged to secure the 1997 Series 1 Bonds and all other parity bonds—See “CLEAN WATER FUND PROGRAM”.
Redemption:	<i>Optional</i> —The 1997 Series 1 Bonds maturing on or after June 1, 2008 are subject to optional redemption on or after June 1, 2007 at a redemption price of 100% of par—See “1997 SERIES 1 BONDS; Redemption Provisions”.
Loan Recipients:	Municipalities eligible for a loan may include cities, towns, villages, counties, town sanitary districts, public inland lake protection and lake rehabilitation districts, metropolitan sewerage districts and federally recognized American Indian tribes or bands located in the State—See “MUNICIPALITIES”, “LOANS” and EXHIBIT H.
The Loans:	The Loans are made at or below market interest rates, for terms not to exceed 20 years, and Loans will be made only as described under “LOANS” herein.
Additional Bonds:	Additional Bonds may be issued without limitation as to the amount, subject to any applicable statutory limitation, payable on a parity with the 1997 Series 1 Bonds and secured, together with previously issued Bonds, by all sources of funds securing the 1997 Series 1 Bonds—See “SECURITY AND SOURCE OF PAYMENT FOR BONDS”.
Security for Bonds:	The 1997 Series 1 Bonds, and all other parity Bonds previously issued or to be issued from time to time, are secured by (i) Leveraged Loan Repayments, (ii) the Loan Fund, the Subsidy Fund and the Loan Credit Reserve Fund, which were established in connection with the issuance of such Bonds, and (iii) all other Pledged Receipts. There are two entities that are currently each expected to be the source of more than 20 percent of the cash flow servicing the Bonds. One is the State, which has issued general obligation bonds that are currently held in the Subsidy Fund. The other is the Milwaukee Metropolitan Sewerage District, which has issued Municipal Obligations to evidence repayment of Loans made from the Leveraged Loan Program—See “SECURITY AND SOURCE OF PAYMENT FOR BONDS”.

OFFICIAL STATEMENT
\$80,000,000
STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS
1997 SERIES 1

This Official Statement provides certain information in connection with the issuance by the State of Wisconsin (the “State”) of its Clean Water Revenue Bonds, 1997 Series 1 (the “1997 Series 1 Bonds”) in the aggregate principal amount of \$80,000,000. The 1997 Series 1 Bonds are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended (the “Revenue Bond Act”), Sections 281.58 and 281.59 of the Wisconsin Statutes (the “Act”), and pursuant to a Clean Water Revenue Bond General Resolution (the “General Resolution”), adopted by the State of Wisconsin Building Commission (the “Commission”) on March 7, 1991 and a Series Resolution Authorizing the Issuance of \$80,000,000 State of Wisconsin Clean Water Revenue Bonds, 1997 Series 1 (the “Series Resolution”), adopted by the Commission on January 23, 1997 (the General Resolution and the Series Resolution are sometimes hereinafter collectively referred to as the “Resolution”). The 1997 Series 1 Bonds are issued on a parity with all other bonds previously or hereafter issued pursuant to the General Resolution (collectively, the “Bonds”).

The 1997 Series 1 Bonds are the fifth Series of Bonds to be issued under the General Resolution. The State has previously issued \$471,295,000 of Bonds under the General Resolution, which includes \$81,950,000 of refunding bonds. As of January 1, 1997, \$370,930,000 of Bonds were outstanding. The Legislature has authorized the issuance of \$1.298 billion of revenue bonds (other than refunding revenue bonds) for this purpose. It is expected that the State will provide additional bond authorizations in future budgets.

The 1997 Series 1 Bonds are issued as part of a State program that makes loans to Municipalities in the State for the construction or improvement of their wastewater facilities (the “Clean Water Fund Program”). The proceeds of the 1997 Series 1 Bonds will principally be used to make Loans to Municipalities for the construction or improvement of their wastewater facilities and to make deposits in certain funds established under the General Resolution. See “BOND PLAN OF FINANCE”. EXHIBIT D presents a summary of the General Resolution.

Pursuant to the Act, the State has established a trust fund (the “Clean Water Fund”) to be used for providing such financial assistance. As described under “CLEAN WATER FUND PROGRAM; Overview”, the Clean Water Fund Program is composed of a Leveraged Loan Program, a Direct Loan Program and a Proprietary Loan Program. Repayments from Leveraged Loans (sometimes referred to as “Loans”), but not from Direct Loans or Proprietary Loans, are pledged to secure payment of the Bonds.

In accordance with the Act, loans will be made to Wisconsin municipalities (each a “Municipality”) from the Clean Water Fund pursuant to Financial Assistance Agreements (each a “Financial Assistance Agreement”). As evidence of each loan, the Municipality will be required to issue and deliver to the State a bond or note of the Municipality (the “Municipal Obligation”) obligating the Municipality to repay the loan on the maturity schedule and at the interest rate set

forth in the Financial Assistance Agreement. These Municipal Obligations may constitute (i) a revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues, (ii) a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or (iii) a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality. Some loans may be evidenced by more than one type of Municipal Obligation. Most loans are expected to be made at interest rates that are below market rates, as set forth in the Act.

Debt service on the 1997 Series 1 Bonds and all other parity Bonds is secured by a pledge of (i) debt service payments on Municipal Obligations, (ii) amounts in a Subsidy Fund established pursuant to the General Resolution (which amounts may be derived from maturing principal and interest on investments, including State general obligation bonds, held in the Subsidy Fund), and (iii) amounts in a Loan Credit Reserve Fund established pursuant to the General Resolution. Prior to the issuance of additional parity Bonds the State must certify that upon the delivery of such Bonds there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement. For information regarding the foregoing requirements, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Subsidy Fund" and "Loan Credit Reserve Fund".

There are two entities that are, based on current Loans and subsidy levels, each expected to be the source of 20 percent or more of the cash flow servicing the 1997 Series 1 Bonds and the Bonds. One is the State, which has issued general obligation bonds that are held in the Subsidy Fund. Information concerning the State is included as EXHIBIT A, which includes by reference parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 1996 (the "State Annual Report"). The State Annual Report has been filed with each nationally recognized municipal securities information repository ("NRMSIR"). The other is the Milwaukee Metropolitan Sewerage District ("MMSD"), which has issued Municipal Obligations to evidence repayment of Loans made from the Leveraged Loan Program. Information concerning MMSD is included as EXHIBIT C, which includes by reference MMSD's Comprehensive Annual Financial Report for the year ended December 31, 1995 (the "MMSD CAFR"). The MMSD CAFR has been filed with each NRMSIR and should only be consulted with respect to MMSD. For more information about these entities, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information".

The 1997 Series 1 Bonds are special obligations of the State, payable solely from the revenues, funds and moneys pledged therefor under the General Resolution. The State is not obligated to pay the principal or redemption price of or interest on the 1997 Series 1 Bonds from any other funds of the State, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged to the payment of the principal or redemption price of or interest on the 1997 Series 1 Bonds.

This Official Statement contains brief descriptions of the Clean Water Fund Program, the 1997 Series 1 Bonds and certain other matters. All references herein to any document or statute, including without limitation the Resolution and the Act, are qualified in their entirety by reference to such documents or statutes, copies of which are available from the Commission. Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have the meanings given to such terms in EXHIBIT F.

STATE OF WISCONSIN BUILDING COMMISSION

Pursuant to State law, the Commission has supervision over all matters relating to the issuance by the State of general and revenue obligations. The Commission is composed of eight members including the Governor as chairperson, six members of the State legislature (three from each house) appointed in the same manner as standing committees in the respective houses, and one citizen member appointed by the Governor and serving at his pleasure. State law provides that the two major political parties shall be represented in the membership from each house, and that one member appointed from either house shall be a member of the Legislative State Supported Program Study and Advisory Committee. The Secretary of Administration, the head of the engineering function and the ranking architect in the Department of Administration (“DOA”) are nonvoting advisory member. The members act without liability except for misconduct. The Commission is assisted by DOA which provides technical civil service staff. Pursuant to the Act, the State is authorized to issue (i) general obligations and (ii) revenue obligations secured by a pledge of revenues derived from the operation of the Clean Water Fund Program, in each case for the purpose of funding the Clean Water Fund. Currently the Commission is authorized to issue in aggregate up to \$553.2 million of general obligations and \$1.298 billion of revenue bonds (other than refunding revenue bonds) for such purposes.

CLEAN WATER FUND PROGRAM

Overview

The Federal Water Quality Act of 1987 (the “Water Quality Act”) established a joint federal and state program commonly referred to as the State Revolving Fund (“SRF”) Program. Under the SRF Program, the United States Environmental Protection Agency (“EPA”) is authorized to make grants (“Capitalization Grants”) to states to assist in providing financial assistance to municipalities within the state for governmentally-owned wastewater projects and other water pollution abatement projects. As a condition to receipt of a Capitalization Grant, a state is required to establish a perpetual SRF into which the Capitalization Grant must be deposited, and to provide state matching funds equal to 20% of the Capitalization Grant (the “State Match”) for deposit in the SRF. Funds in a SRF are permitted to be applied to provide financial assistance to municipalities for governmentally-owned wastewater projects and other water pollution abatement projects in a number of ways, provided that such assistance is not in the form of a grant.

Pursuant to the Act, the State has created the Clean Water Fund for purposes of providing financial assistance to Municipalities for wastewater facilities. The Act represents a major commitment of the State to use State funds to assist Municipalities in improving the water quality of the State.

The Clean Water Fund uses State funds, federal funds and the proceeds of the Bonds to fund three separate loan programs for qualified wastewater projects. The three programs are presently structured to make loans to Municipalities for the purpose of the construction or improvement of wastewater facilities or refinancing of obligations previously issued to finance such construction or improvement. One loan program, the Leveraged Loan Program, is funded from the proceeds of the sale of Bonds and other State funds and is used for projects that meet applicable State requirements. Another loan program, the Direct Loan Program, is funded by Capitalization Grants together with the State Match and is used primarily for projects that comply with EPA eligibility and reporting requirements. The third loan program, the Proprietary Loan Program, is financed entirely from State contributions. Repayments from Leveraged Loans only are pledged to the Trustee to secure the Bonds. The Capitalization Grants, the State Match and repayments from Direct Loans and Proprietary Loans are not pledged to secure the Bonds.

The Act, in establishing the Clean Water Fund, contemplates the State taking significantly more financial responsibility for assisting Municipalities than is required by the Water Quality Act. The State has designated certain accounts within the Clean Water Fund as constituting the SRF for federal purposes. These accounts are hereinafter referred to as the Federal SRF. While the Federal SRF is within the Clean Water Fund, the Federal SRF does not secure the Bonds and the Clean Water Fund is broader than the Federal SRF.

It is possible that the scope of the Clean Water Fund Program or the federal portion of the SRF Program could be expanded to provide financial assistance to Municipalities for purposes other than wastewater facilities. For example, the State may choose to expand the Clean Water Fund Program to provide financial assistance to other water pollution abatement projects. The Safe Drinking Water Act ("SDWA") Amendments of 1996 which were signed into law on August 6, 1996 authorize the creation of a Drinking Water State Revolving Fund ("DWSRF") Program to assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect public health. Section 142 of the Amendments authorizes the administrator of the U.S. Environmental Protection Agency to award capitalization grants to states, which in turn can provide loans and other types of assistance to eligible systems. The Clean Water Fund is expected to be the administering agency for these loans, and if such a program is created in Wisconsin law, the State may choose to expand the Clean Water Fund Program to provide loans to Municipalities and other public and private owners and operators of public water systems for the purpose of providing safe drinking water. The initial grant to Wisconsin under the DWSRF Program is expected to be approximately \$42 million, which would require state matching funds of \$8.4 million.

Goals

The Clean Water Fund Program is primarily a loan program, although the financial assistance may include grants. Loans are made at different interest rate levels, typically representing subsidized rates, with the degree of subsidy being determined by environmental priority. The Clean Water Fund Program makes three types of loans, each from a different source: (i) Leveraged Loans, (ii) Direct Loans, and (iii) Proprietary Loans. With existing debt authority, the State expects to provide \$1.335 billion of Leveraged Loans, Direct Loans and Proprietary Loans to Municipalities to fund projects under the Clean Water Fund Program through June 30, 1999. As of September 30, 1996 the State had made Leveraged Loans, Direct Loans and Proprietary Loans of \$813.6 million (of which \$713.4 million had been disbursed). Of the amounts disbursed, \$359.2 million were for Leveraged Loans, of which \$316.3 million remain outstanding.

Management of Clean Water Fund

Management responsibilities for the Clean Water Fund are shared between two State agencies. The Department of Natural Resources ("DNR") is responsible for the environmental and programmatic management of the Clean Water Fund Program to ensure that the environmental goals are met. DOA is responsible for the financial management of the Clean Water Fund to ensure the long-term fiscal integrity and management of the Clean Water Fund. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that details their respective roles.

The Act gives DNR certain statutory responsibilities with respect to the Clean Water Fund Program. Under the Act, DNR has primary responsibility for dealing with EPA in connection with the Clean Water Fund Program. DNR additionally has substantial responsibility under the Act for developing and administering the Clean Water Fund Program. Responsibilities of DNR include: providing Municipalities with information on the Clean Water Fund Program; preparing the

biennial needs lists of wastewater projects that DNR expects to commit to finance; preparing and managing priority lists ranking projects in accordance with specified criteria. Other responsibilities of DNR include providing technical assistance on the environmental aspects of projects to communities; reviewing and approving projects for eligibility for financial assistance; and reviewing facility plans, design and engineering to ensure compliance with federal requirements and State laws and regulations.

Under the Act, DOA is responsible for the financial management of the Clean Water Fund. DOA is also responsible for managing the investments of the Clean Water Fund, including the portfolio of loans to Municipalities.

DOA, in cooperation with DNR, provides the financing to fund eligible projects under the Clean Water Fund Program. Joint responsibilities between DNR and DOA include issuing notices of financial assistance commitment (“Commitments”) and entering into Financial Assistance Agreements with Municipalities to finance eligible wastewater projects. DOA and DNR also jointly prepare biennial finance plans, which include, without limitation, the estimated wastewater facility needs of the State, the amount of financial assistance projected to be provided, the sources of the financial assistance projected to be provided, and the estimated present value of subsidies for all Clean Water Fund financial assistance expected to be provided.

Department of Natural Resources

DNR is responsible for implementing state laws and applicable federal laws that protect and enhance the State’s natural resources—its air, land, water, wildlife, fish, forests, and other plant resources. It is the agency charged with full responsibility for coordinating the many disciplines and programs necessary to provide a clean environment and a full range of outdoor recreational opportunities for Wisconsin citizens and visitors. As of September 1996 the total number of DNR employees was approximately 2,917. Its total budget for fiscal year 1996 was \$419 million.

A seven-member, part-time Natural Resources Board appointed by the Governor with the advice and consent of the State Senate provides policy direction for DNR. The Secretary of Natural Resources, who serves as the chief executive officer of DNR, is appointed by, and serves at the pleasure of, the Governor. Six functional divisions have primary responsibility for DNR’s programs: air and waste; lands; water; customer assistance and external relations; administration and technology; and enforcement and science. The Bureau of Community Financial Assistance within the Division of Customer Assistance and External Relations is responsible for the management of DNR’s grant and loan programs to assist local governments. Five regional directors, each responsible for the total mission of DNR in his or her district, manage DNR’s field operations. DNR also works closely with State and federal agencies to coordinate programs, produce educational materials, conduct research and provide technical assistance to local governments and individuals on subjects ranging from wildlife habitat enhancement to groundwater protection. Under interagency agreements with EPA, DNR administers hazardous and solid waste, drinking water supply, and water and air pollution control laws in the State.

Responsibilities for the administration of the Clean Water Fund Program are shared by two functional units within DNR. The Bureau of Community Financial Assistance is responsible for administration of the Clean Water Fund Program. The Division of Water plans, supervises, and coordinates development of water quality standards and programs for wastewater treatment, water quality planning, water supply, groundwater protection, and toxic management.

Department of Administration

DOA’s primary mission is to provide the Governor with fiscal management information and the policy alternatives required for the State’s biennial budget. DOA also provides and coordinates

various services for other State agencies, including procurement of services, commodities and supplies; information and management systems; maintenance of State-owned facilities; and maintenance of the State's central accounting and payroll. The Secretary of Administration is appointed by, and serves at the pleasure of, the Governor. As of September 1996 the total number of DOA employees was approximately 1,037. Its total budget for fiscal year 1996 was \$338.8 million.

Within DOA is the Division of Executive Budget and Finance. This division provides budget and policy analysis and, through the Office of Capital Finance, advises the Governor and the Commission on the issuance by the State of general and revenue obligations.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 1997. As of September 30, 1996, the State has been awarded Capitalization Grants from EPA aggregating \$297.1 million for federal fiscal years 1989 through 1996. The amount of federal funding available in the future may affect the amount of Leveraged Loans, Direct Loans or Proprietary Loans to be made by the Clean Water Fund Program and the amount of Bonds to be issued by the State. As of September 30, 1996, the State had issued \$58.9 million in general obligation bonds for the State Match with respect to the Capitalization Grants received as of such date.

Reauthorization of the Water Quality Act of 1987 was taken up by Congress during 1995 and 1996, but no bill passed as of September 30, 1996. Budget appropriations for federal fiscal year 1997 for the SRF Program are set at \$625 million, which should result in receipt of approximately \$17.1 million by the State.

Operating Agreement with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR, has entered into an Operating Agreement with EPA. The Operating Agreement sets forth the objectives and structure, as designed to meet the objectives, of the Clean Water Fund Program and sets forth the responsibilities of DNR and DOA. Among these responsibilities are (i) management of the financial aspects, (ii) management of the environmental and project construction aspects, and (iii) preparation of an intended use plan, setting forth the projects the State expects to finance from the Clean Water Fund

Financial Assistance

Financial assistance under the Clean Water Fund Program is primarily provided in the form of loans from the Clean Water Fund to Municipalities for wastewater projects. The interest rate is determined by statute and, except for Transition Projects, is based on the Clean Water Fund Program's cost of borrowing, as determined by reference to the interest rate on a particular Series of Bonds. Loans may be made at a number of statutorily and administratively prescribed interest rates. Currently projects are segregated into four different rate categories based upon environmental priorities. The differing levels of subsidy provided to projects in the differing categories are designed to provide greater incentives for compliance with environmental requirements than for correcting violations.

1. Transition Projects—Projects that would have otherwise qualified for grants under prior EPA or State grant programs but were unable to receive grant funding because of unavailability of grant funds or failure to adhere to a schedule approved by DNR. The Act authorizes Transition Projects to receive loans that will bear interest at a statutorily designated rate of 2 ½% per annum.

2. Tier 1 Projects—Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. These projects may receive loans that will bear interest at a per annum rate equal to 55% of the Clean Water Fund Program’s cost of borrowing.

3. Tier 2 Projects—Projects of unsewered areas within Municipalities, urban stormwater projects and nonpoint source projects. These projects may receive loans that will bear interest at a per annum rate equal to 70% of the Clean Water Fund Program’s cost of borrowing. More than two-thirds of the initial flow must be from wastewater originating from residences in existence before October 17, 1972.

4. Tier 3 Projects—Projects that address permit violations or that provide industrial or reserve capacity or that involve certain other capital costs. These projects may receive loans that will bear interest at a per annum rate equal to 100% of the Clean Water Fund Program’s cost of borrowing.

Moreover, in a limited number of cases the State may provide additional financial assistance in the form of grants or further reduced interest rates to qualifying communities. Under current law, the maximum amount of assistance any Municipality may receive is a grant equal to 70% of project costs and an interest-free loan for the remaining 30% of costs. State law allows, during each biennium, that 15% of the present value of all Clean Water Fund Program subsidies may be provided under the provisions described in this paragraph. Between 1989 and 1997, \$66.3 million in subsidy value has been made available for such assistance.

In the event a Municipality proposes a project that includes more than one of the above categories, the respective portions of the project may be allocated accordingly, resulting in a loan with the interest rate calculated using a blend of interest rates.

The majority of Loans made from proceeds of previously issued Bonds were for Transition and Tier 1 Projects. The State expects that the majority of Loans made from proceeds of the 1997 Series 1 Bonds will be for Tier 1 Projects.

CLEAN WATER FUND PROGRAM PLAN OF FINANCE

General

Under a Financial Assistance Agreement, a Municipality may receive one or more of the following: a Leveraged Loan, a Direct Loan or a Proprietary Loan. A separate accounting of the loan balances in each portfolio is maintained for each project. The receipts relating to repayment of the respective portion of the Municipal Obligation evidencing the Leveraged Loan (the “Leveraged Loan Repayment”) are pledged as security for the Bonds. In any situation where an applicant qualifies for a loan through the Leveraged Loan Program, the Direct Loan Program or the Proprietary Loan Program, the State may choose whether and to what extent the Loan is made through the Leveraged Loan Program.

Leveraged Loan Program

The Leveraged Loan Program is funded by the proceeds of Bonds, together with certain State funds. These funds, when available in the Loan Fund established by the General Resolution, are loaned to Municipalities to meet the State’s financial commitments under Financial Assistance Agreements. For a further description of the Leveraged Loan Program, see “SECURITY AND SOURCE OF PAYMENT FOR BONDS”.

Direct Loan Program

The Direct Loan Program is funded by Capitalization Grants and the State Match. These funds, when available, are deposited in a separate account within the Clean Water Fund. This account is the Federal SRF. Such funds are loaned to Municipalities pursuant to Financial Assistance Agreements upon the terms and at the interest rates set forth therein (“Direct Loans”). Municipal repayments of Direct Loans are either redeposited in the Federal SRF for further lending through the Direct Loan Program or are used to pay debt service on the State general obligation bonds issued to provide the State Match. No proceeds of Bonds will be applied to make Direct Loans, and repayments of Direct Loans are not pledged as security for the Bonds.

Proprietary Loan Program

The Proprietary Loan Program is funded by State contributions. These funds, when available, are deposited in a separate account within the Clean Water Fund. Such funds are loaned or granted to Municipalities pursuant to Financial Assistance Agreements upon the terms set forth therein (“Proprietary Loans”). Municipal repayments of Proprietary Loans are redeposited in the same account for further loans or grants through the Proprietary Loan Program. No proceeds of Bonds will be applied to make Proprietary Loans, and repayments of Proprietary Loans are not pledged as security for the Bonds.

Below Market Rate Loans

The State expects to continue to make most of the Leveraged Loans to Municipalities at interest rates that are below market rates. As a consequence, Leveraged Loan Repayments are not expected to be sufficient to pay principal or redemption price of or interest on the Bonds as they become due. The State has provided additional funds, and expects to continue to provide additional funds, through the deposit of cash in the Subsidy Fund, or the sale of State general obligations to the Clean Water Fund for deposit in the Subsidy Fund, to provide sufficient revenues to make up the difference between debt service payments due on the Bonds and revenues to be derived from Leveraged Loan Repayments. As additional security for the Bonds, the State has funded and expects to continue to fund a Loan Credit Reserve Fund that will provide funds in the event of a default on a Loan payment. For further information about the Subsidy Fund and the Loan Credit Reserve Fund, see “SECURITY AND SOURCE OF PAYMENT FOR BONDS”.

Program Plan of Finance

For the period from the commencement of the Clean Water Fund Program through June 30, 1999, the State has identified project needs likely to receive funding of \$1.335 billion. The Legislature has authorized \$1.298 billion of revenue bonds (other than revenue bonds issued for refunding purposes) and \$553.2 million of general obligations for the Clean Water Fund Program through fiscal year 1997.

1997 SERIES 1 BONDS

General

The 1997 Series 1 Bonds will bear interest at the rates and mature on the dates and in the amounts set forth on the front cover of this Official Statement.

The 1997 Series 1 Bonds will be dated January 15, 1997 and will bear interest from such date payable semiannually on June 1 and December 1 of each year, with the first interest payment to be made on June 1, 1997. Interest on the 1997 Series 1 Bonds will be computed on the basis of 30-day months and a 360-day year. Principal and interest on each 1997 Series 1 Bond will be

payable to the registered owner thereof, which initially will be Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“DTC”).

The 1997 Series 1 Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 principal amount or any integral multiple thereof.

Book-Entry-Only Form

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities, registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond will be issued for each maturity set forth on the front cover, each in the principal amount of such maturity, and deposited with 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, as amended. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct 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 the 1997 Series 1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1997 Series 1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 1997 Series 1 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, 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 interests in the 1997 Series 1 Bonds 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 the 1997 Series 1 Bonds, except in the event that use of the book-entry system for the 1997 Series 1 Bonds is discontinued.

To facilitate subsequent transfers, all 1997 Series 1 Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the 1997 Series 1 Bonds 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 1997 Series 1 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 1997 Series 1 Bonds 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.

Redemption notices shall be sent to Cede & Co. If less than all of the 1997 Series 1 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1997 Series 1 Bonds. 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 1997 Series 1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1997 Series 1 Bonds will be made to DTC by the Trustee. DTC's practice is to credit Direct Participants' accounts on the 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 the 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 the State or the Trustee or DTC, 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 Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1997 Series 1 Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, bond 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, bond 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 that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the 1997 Series 1 Bonds. 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 1997 Series 1 Bonds.

Similarly, no assurance can be given by the State 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.

Redemption Provisions

Optional Redemption

1997 Series 1 Bonds maturing on or after June 1, 2008 shall be redeemable prior to their maturity, at the option of the Commission, from any source on June 1, 2007, or on any date thereafter, in whole or in part in integral multiples of \$5,000. The 1997 Series 1 Bonds redeemed

prior to their stated dates of maturity shall be redeemable at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. In the case of any partial redemption, the Commission shall direct the maturity or maturities of the 1997 Series 1 Bonds and the amounts thereof so to be redeemed. If the 1997 Series 1 Bonds are in book-entry-only form and less than all of a particular maturity are to be redeemed, selection of the Beneficial Owners of the 1997 Series 1 Bonds affected thereby shall be made solely by DTC and the participants in accordance with their then prevailing rules. If the 1997 Series 1 Bonds are in certificated form and less than all of a particular maturity are to be redeemed, selection shall be by lot.

Notice of Redemption

Notice of redemption of 1997 Series 1 Bonds or any portion thereof will be given by the Trustee by mailing a copy of such redemption notice by registered or first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption to the owners of the 1997 Series 1 Bonds which are to be redeemed, at their last addresses appearing on the registration books of the State held by the Trustee and to the Information Services. So long as the 1997 Series 1 Bonds are in book-entry-only form, such notice shall be sent to the securities depository.

Failure to give any required notice of redemption as to any particular 1997 Series 1 Bonds will not affect the validity of the call for redemption of any 1997 Series 1 Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the General Resolution shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Registration and Payment of 1997 Series 1 Bonds

So long as the 1997 Series 1 Bonds are in book-entry-only form, the 1997 Series 1 Bonds are payable as to principal by wire transfer to the securities depository or its nominee upon their presentation and surrender at the principal office of the Trustee, which shall be the registrar and Paying Agent on the 1997 Series 1 Bonds. Payment of each installment of interest shall be made by wire transfer to the securities depository or its nominee shown in the registration books at the close of business on the 15th day preceding such interest payment date or, if such day shall not be a business day, the immediately preceding business day (the "Record Date") in next-day funds on the payment date.

When in certificated form the 1997 Series 1 Bonds shall be payable as to principal by check or draft issued upon their presentation and surrender at the principal office of the Trustee. In such case, payment of each installment of interest shall be payable by check or draft mailed to the registered owner shown in the registration books on the Record Date or, with respect to the owner of not less than \$1 million principal amount of 1997 Series 1 Bonds outstanding, by wire transfer to such account as the owner may designate.

No transfer or exchange by the Trustee of any 1997 Series 1 Bond shall be required during the 15 calendar days preceding the date of the sending or publication of notice of any proposed redemption of the 1997 Series 1 Bonds, or in the case of the proposed redemption of 1997 Series 1 Bonds, next preceding the date of the selection of the 1997 Series 1 Bonds to be redeemed. In the event that less than all of the principal amount of a maturity is redeemed, the Trustee shall issue a new 1997 Series 1 Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

BOND PLAN OF FINANCE

General

The 1997 Series 1 Bonds are being issued for the purpose of (i) providing funds to make Loans to Municipalities in the State for the construction or improvement of their wastewater facilities, (ii) making a deposit to the Loan Credit Reserve Fund, and (iii) paying issuance costs for the 1997 Series 1 Bonds. The State may also use proceeds from the 1997 Series 1 Bonds to pay a portion of the interest accruing on the 1997 Series 1 Bonds. See "SOURCES AND USES OF FUNDS" below for a description of the amounts required for each of these purposes.

Moneys for Leveraged Loan Program

It is anticipated that \$86,439,040.06, consisting of the proceeds of the 1997 Series 1 Bonds plus certain funds provided by the State, will be used in the Leveraged Loan Program, of which \$79,586,806.31 will be deposited in the Loan Fund, and \$6,852,233.75 will be deposited in the Loan Credit Reserve Fund. The Leveraged Loan Program and the Loans to be made thereunder are more fully described in "CLEAN WATER FUND PROGRAM PLAN OF FINANCE; Leveraged Loan Program," "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loans" and "LOANS". The State may use funds deposited in the Loan Fund to purchase existing loans from the Proprietary or Direct Loan Programs, but is not obligated to do so. The State may transfer funds from the Loan Fund to the Revenue Fund to pay a portion of Debt Service on the Bonds, provided that following such transfer the Subsidy Fund Requirement is met.

Other Moneys

It is anticipated that \$849,272.04 of the proceeds of the Bonds will be used to pay certain costs of issuance, including underwriters' discount.

Sources and Uses of Funds

It is anticipated that the proceeds of the 1997 Series 1 Bonds, other than accrued interest, together with certain other funds shall be applied as follows:

Sources

Principal Amount of 1997 Series 1 Bonds.....	\$80,000,000.00
Net Original Issue Premium.....	288,312.10
State Funds.....	<u>7,000,000.00</u>
Total Sources.....	<u>\$87,288,312.10</u>

Uses

Deposit to Loan Fund.....	\$79,586,806.31
Deposit to Loan Credit Reserve Fund	6,852,233.75
Costs of Issuance	350,100.73
Underwriters' Discount	<u>499,171.31</u>
Total Uses	<u>\$87,288,312.10</u>

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Revenue Obligations

The 1997 Series 1 Bonds are issued on a parity with all other Bonds previously issued or to be issued from time to time under the General Resolution. The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds and moneys pledged therefor under the General Resolution. The State is not obligated to pay the principal or redemption price of or interest on the Bonds from any funds of the State other than those pledged pursuant to the

General Resolution, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged to the payment of the principal or redemption price of or interest on the Bonds.

Pledge of Revenues

Pursuant to the General Resolution, the State has pledged to the Trustee for the benefit of the Bondowners and any owner of a Parity Reimbursement Obligation for the payment of the principal and redemption price of and interest on the Bonds in accordance with the terms and provisions of the General Resolution and the payment of any Parity Reimbursement Obligation: (a) all Pledged Receipts, which are defined in the General Resolution as follows: (i) all Leveraged Loan Repayments, including both timely and delinquent payments; (ii) Fees and Charges held or collected by the State; (iii) any moneys received by the State under Section 281.59(11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA and taxes collected by county treasurers) upon a default under a Municipal Obligation; (iv) any moneys made available to the Leveraged Loan Program pursuant to Section 281.59(13m) of the Wisconsin Statutes (that is, the State moral obligation for individual Loans); (v) any moneys collected by recourse to collateral and security devices under the Municipal Obligations; and (vi) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations; and (b) all funds and accounts established in connection with the issuance of the Bonds including the Loan Fund, the Subsidy Fund and the Loan Credit Reserve Fund (but not including the Rebate Fund or the State Equity Fund). For a detailed description of the various funds, accounts and revenues securing the Bonds, see EXHIBIT D. For further discussion of State payments to Municipalities intercepted by DOA, the taxes collected by county treasurers and the State moral obligation on individual Loans, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers".

Loans

The proceeds of Bonds and other amounts deposited into the Loan Fund are used for the purpose of making Loans to Municipalities. Each Loan must meet the criteria described under "LOANS; Lending Criteria" and must be evidenced by a Municipal Obligation. As of September 30, 1996, \$359.2 million of Bond proceeds have been disbursed for Loans, of which \$316.3 million in Loans remain outstanding, and \$15.9 million remain in the Loan Fund.

Table H-1 in EXHIBIT H identifies the Municipalities that have entered into Financial Assistance Agreements under the Clean Water Fund Program, the amount that has been disbursed to each Municipality as of September 30, 1996, and the amount that remains to be disbursed pursuant to its Financial Assistance Agreement. The table also provides information as to the principal balance outstanding under the Financial Assistance Agreement for each Municipality that has received a Leveraged Loan from Bond proceeds. Table H-2 in EXHIBIT H presents a list of Municipalities that have not entered into a Financial Assistance Agreement, but are expected to receive loans, either for the first time or for additional projects, in the near future, and the amount of their expected loans. The proceeds of the 1997 Series 1 Bonds are expected to be used for the Municipalities listed in Tables H-1 and H-2. Leveraged Loans may be made, however, in amounts and to Municipalities which differ from those presented in EXHIBIT H. Moreover, in any situation where an applicant qualifies for a loan, the State may choose whether and to what extent the Loan is made through the Leveraged Loan Program, and under certain circumstances the State may transfer a loan from one program into another. Based on the amount of commitments and requests for financial assistance from Municipalities and the amounts of other funds to be made available, the State believes that moneys deposited in the Loan Fund will be fully disbursed. The failure, however, to originate Loans or to disburse funds for Loans that have

been originated could adversely affect the ability of the Clean Water Fund to make payments of the principal and redemption price of and interest on the Bonds.

Table H-1 presents the Municipalities in order of the amount of their Leveraged Loans outstanding as of September 30, 1996. Municipalities which do not have Leveraged Loans are listed at the end of Table H-1. This order will change as Leveraged Loans are disbursed and new Leveraged Loans are originated, or as loans are transferred into the Leveraged Loan Program, or as Loans are transferred out of the Leveraged Loan Program. The table also provides information as to each Municipality's total debt service (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) as a percentage of the total debt service on the previously issued and Outstanding Bonds. These percentages will vary after the disbursement of 1997 Series 1 Bond proceeds and any remaining proceeds of the 1995 Series 1 Clean Water Revenue Bonds.

Revenues derived from the repayments of Leveraged Loans are the majority of the revenues available to pay debt service on the Bonds. To the extent that one Municipality's Loan Repayments represent a greater or lesser percentage of the debt service than another's, the failure of such Municipality to make its Loan Repayments will have a greater or lesser impact on the Clean Water Fund's ability to pay debt service on the Bonds than the failure of such other Municipality. The State believes that the security provisions of the Financial Assistance Agreements, as well as the amounts available from the Loan Credit Reserve Fund and the Subsidy Fund, will limit the effect on Bondowners of a failure by one or more Municipalities to pay debt service on their Loans. Revenues available from amounts in the Subsidy Fund will not be directly affected by the failure of any Municipality to pay debt service on its Loan. However, a persistent failure by one or more Municipalities to pay debt service on Leveraged Loans may adversely affect the ability of the Clean Water Fund to pay debt service on the Bonds.

The 1997 Series 1 Bonds are offered on the basis of the Clean Water Fund Program requirements established under the General Resolution, including the Subsidy Fund Requirement and the Loan Credit Reserve Fund Requirement. One of the Municipalities, MMSD, is currently expected to be the source of 20 percent or more of the cash flow servicing the Bonds. MMSD is currently the largest borrower under the Leveraged Loan Program, with \$110.6 million in principal amount of loans outstanding as of September 30, 1996 (which had repayments constituting approximately 23 percent of the expected cash flow servicing the Outstanding Bonds as of that date). Other Municipalities had Leveraged Loans in outstanding principal amounts ranging from \$50.5 thousand to \$23.3 million as of the same date. For a discussion regarding the information that is available on the Municipalities, including MMSD, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information".

Subsidy Fund

The Clean Water Fund makes loans to certain Municipalities at interest rates below the Clean Water Fund Program's cost of borrowing. To supplement revenues produced by Loan Repayments, the General Resolution creates a Subsidy Fund, a Subsidy Fund Requirement and a Subsidy Fund Transfer Amount.

The Subsidy Fund Requirement is that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing after an interest payment date and ending on the next interest payment date (a "Period") which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of (i) scheduled disbursements from the Capitalized Interest Account and (ii) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections

set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (ii) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

The Subsidy Fund Transfer Amount is that amount equal to the amount by which Aggregate Debt Service payable during a Period exceeds the sum of (a) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (b) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (c) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (d) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (e) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period. On the business day preceding each interest payment date, the Trustee shall transfer the Subsidy Fund Transfer Amount from the Subsidy Fund to the Debt Service Fund.

Whenever the money in the Debt Service Fund and money available in the Loan Credit Reserve Fund are insufficient to pay the principal of and interest on the Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The General Resolution permits the issuance of a Series of Bonds only if, upon such issuance, an Authorized Officer certifies to the Trustee that upon delivery of such Bonds there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement. In addition, except in the case of a default in payment of the Bonds, the General Resolution permits disbursements from the Loan Fund only upon receipt of a certificate from an Authorized Officer stating that after taking into account the disbursement there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

As of September 30, 1996, the Subsidy Fund held \$84.6 million, which were invested in general obligations issued by the State. This amount exceeded the amount required as of that date, which was \$80.6 million.

Loan Credit Reserve Fund

As additional security for the Bonds there has been established a Loan Credit Reserve Fund which will, upon the issuance of any Series of Bonds, be funded in an amount at least equal to the Loan Credit Reserve Fund Requirement. The Loan Credit Reserve Fund Requirement means and is calculated as follows:

- (a) Upon the issuance of the first Series of Bonds or disbursements of funds for Loans from the Loan Fund, an Authorized Officer delivered to the Trustee a schedule of credit quality categories and loan credit reserve fund requirements for each Rating Agency (a "Schedule") approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan

disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency. For a description of the Schedules currently in effect, see EXHIBIT G.

(b) The amount required in the Schedules for each disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the "Contribution Amount".

(c) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

The Trustee may not disburse moneys from the Loan Fund unless, prior to such disbursement, there is deposited in the Loan Credit Reserve Fund concurrently with the disbursement an amount equal to the Contribution Amount, provided, however, that if the amount on deposit would be in excess of the Loan Credit Reserve Fund Requirement, the Contribution Amount may be reduced in an amount equal to such excess. If upon the issuance of a Series of Bonds, there is on deposit in the Loan Credit Reserve Fund an amount in excess of the Loan Credit Reserve Fund Requirement (such excess being the "Funded Amount"), any Contribution Amount required to be deposited into the Loan Credit Reserve Fund upon a disbursement from the Loan Fund shall be deemed to be made from such Funded Amount until the Funded Amount is exhausted. Any Funded Amount shall be available until issuance of a subsequent Series of Bonds, whereupon a new Funded Amount is calculated. The Loan Credit Reserve Fund Requirement is calculated based on disbursements from the Loan Fund. Upon issuance of an additional Series of Bonds, additions to the Loan Credit Reserve Fund Requirement will be zero prior to any additional Loan disbursement. Failure to make deposits in the Loan Credit Reserve Fund (including deemed deposits from the Funded Amount) would consequently preclude making any subsequent disbursements from the Loan Fund.

Whenever moneys in the Debt Service Fund are insufficient to pay the principal of or interest on the Bonds, the Trustee will apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency. Except in the event of the issuance of additional Bonds, the State is not required to replenish the Loan Credit Reserve Fund following creation of a deficiency therein, except from surpluses in the Subsidy Fund being transferred to the State Equity Fund.

Whenever moneys and securities in the Loan Credit Reserve Fund (excluding earnings required to be transferred to the Revenue Fund) shall exceed the Loan Credit Reserve Fund Requirement, the Trustee is required, at the written direction of an Authorized Officer, subject to certain conditions, to transfer all or any portion of such surplus from the SRF Account to any account within the Clean Water Fund or from the Non-SRF Account to the Revenue Fund. Any withdrawal of surpluses from the Loan Credit Reserve Fund shall reduce the Funded Amount by an amount equal to the amount of such withdrawal.

As of September 30, 1996, the Loan Credit Reserve Fund balance was \$37.9 million. This amount exceeded the Loan Credit Reserve Fund Requirement as of that date, which was \$30.7 million.

As of September 30, 1996, the Loan Credit Reserve Fund was invested as follows: (a) \$24 million were invested in a collateralized repurchase agreement with Sanwa Financial Products Co., L.P. guaranteed by the Sanwa Bank, Limited, with the collateral held by Chase Manhattan Bank pursuant to a custody agreement; (b) \$6.3 million were invested with MBIA Investment Management Corp. (“IMC”) according to the terms of an investment agreement, with the payment obligations of IMC insured under a policy issued by the MBIA Insurance Corporation, which policy does not guarantee or otherwise provide for payment of amounts due in the event of non-payment by the State; and (c) \$7.6 million were invested in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale, with the collateral held by Norwest Bank Minnesota, National Association as custodian. The repurchase agreement with Sanwa Financial Products Co., L.P., the investment agreement with IMC, and the investment repurchase agreement with Bayerische Landesbank Girozentrale each provide for liquidation of the investments if and when required by the terms of the General Resolution.

The State has purchased from AMBAC Indemnity Corporation a financial guaranty insurance policy insuring the performance of Sanwa Financial Products Co., L.P. and the Sanwa Bank, Limited. The policy covers the period of January 21, 1997 until January 21, 1998 and may be renewed upon mutual agreement between the State and AMBAC Indemnity Corporation.

The failure of one or more Municipalities to repay Loans in amounts in excess of the amount available from the Loan Credit Reserve Fund may adversely affect the ability of the Clean Water Fund to make timely payments of the principal or redemption price of or interest on the Bonds.

Statutory Powers

The Act includes several provisions that may provide additional security for payment of the principal or redemption price of or interest on the Bonds.

State Aid Intercept

The Act confers an “intercept power” upon DOA. If a Municipal Obligation to the State is in default, DOA, which is the paying agent for State moneys payable to Wisconsin municipalities, is required to place on file a certified statement of all amounts due under the loan. Thereafter, DOA is authorized to collect all amounts due under the loan by deducting those amounts from any State payments due the Municipality. The State has covenanted in the General Resolution to exercise this intercept power to the extent State payments are available. Certain Municipalities, including town sanitary districts, public inland lake protection rehabilitation districts, metropolitan sewage districts and intergovernmental cooperation commissions do not receive such State payments. The amount of money realized by the Clean Water Fund Program from the exercise of the intercept power will depend on the level of State payments to the Municipality in relation to the size of the loan. The level of State payments to Municipalities may vary in the future. Although State payments can be intercepted by the State for certain other purposes, current administrative rules require DOA to exercise the Clean Water Fund intercept as a first charge against State payments due a particular Municipality.

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a loan, to add the amount due on the loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer is required to apportion the amount of such special charges to “any town, city or village,” and the special charges are then collected with the annual property tax. The word “town” in a statute may be construed as including cities, villages, wards and districts, although metropolitan sewerage districts and town sanitary districts are not

specifically mentioned. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure.

State Moral Obligation

At the time a loan is made, the Commission may by resolution designate the loan as one to which the State moral obligation applies. If such moral obligation applies, the Act provides that, if at any time the payments received or expected to be received from a Municipality on any loan are insufficient to pay when due the principal of and interest on such loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor and the Joint Committee on Finance. Thereupon the Joint Committee on Finance is required to introduce a bill appropriating the amount so requested for the purpose of payment of the Municipal Obligation secured thereby. Recognizing its moral obligation to do so, the Legislature has expressed its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The moral obligation applies to individual loans and not to the Bonds. In addition, the loans to which a moral obligation applies must be specifically designated by the Commission at the time the loan is made. No Loan currently financed or expected to be financed from proceeds of the 1997 Series 1 Bonds or of other Bonds previously issued is expected to be designated as a moral obligation Loan. In the opinion of Bond Counsel, the provisions of the Act relating to the State's moral obligation do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State.

State Financial Participation

The State has funded and intends to continue to fund all or a substantial portion of the Subsidy Fund through the issuance of State general obligation bonds. Such State general obligation bonds will be sold to the Clean Water Fund for deposit in the Subsidy Fund as and when required to meet the Subsidy Fund Requirement. The State general obligation bonds are issued such that the principal and interest will be due and payable on such bonds at the times and in the amounts as are required to satisfy the Subsidy Fund Requirement. The State has authorized the issuance of additional general obligation bonds in an amount expected to exceed the Subsidy Fund Requirement necessary to disburse all proceeds of the 1997 Series 1 Bonds and the undisbursed proceeds of previously issued Bonds. However, failure of the State to fund the Subsidy Fund at the Subsidy Fund Requirement will preclude the disbursement of Bond proceeds from the Loan Fund (except to pay interest on the Bonds) and preclude the issuance of additional Bonds. Such a failure could adversely affect the ability of the Clean Water Fund to make timely payments of the principal or redemption price of or interest on the Bonds.

Although the State has no present intent to cause this to happen, State general obligation bonds may also be sold to the Clean Water Fund for deposit in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

Additional Information

There are two entities that currently are each expected to be the source of more than 20 percent of the cash flow servicing the Bonds. One is the State, which has issued general obligation bonds that are currently held in the Subsidy Fund and, as of September 30, 1996, are expected to provide approximately 27 percent of the cash flow servicing the Bonds. The other is MMSD, which has issued Municipal Obligations to evidence repayments of Loans made from the Leveraged Loan Program, which as of September 30, 1996 constituted approximately 23 percent of the expected cash flow servicing the Bonds. The Municipal Obligations issued by MMSD

are general obligations, for which MMSD has made an irrevocable levy of ad valorem property taxes sufficient to pay debt service when due.

The ability of these entities to make timely payments on their obligations is an important consideration in evaluating the security of the Bonds. Information about the State, including its financial statements, is included in EXHIBIT A. This exhibit includes by reference parts II and III of the State Annual Report. The State Annual Report has been filed with each NRMSIR. Information concerning MMSD is included in EXHIBIT C. This exhibit includes by reference the MMSD CAFR. Information consisting of the MMSD CAFR has been filed with each NRMSIR and should be consulted only with respect to MMSD. No representation is made as to the accuracy or completeness of the information included in the MMSD CAFR, or that there has been no material change since its date.

Information about other Municipalities, other than the amounts of their loans and annual repayments, is not made part of this Official Statement. The 1997 Series 1 Bonds are offered on the basis of the Clean Water Fund Program requirements established under the General Resolution. However, financial statements are required to be provided to the Clean Water Fund by any Municipality that has a Leveraged Loan.

A copy of any financial statements provided to the Clean Water Fund by any Municipality, is available upon submitting a request through DOA, Clean Water Program Office, Box 7864, Madison, Wisconsin 53707-7864, phone (608) 267-1836.

Additional Bonds

The General Resolution permits the issuance of additional Bonds, without limitation as to amount (except for any statutory limitations on the aggregate authorized amount of revenue bonds, currently \$1.298 billion, other than revenue bonds issued for refunding purposes) to provide funds for Clean Water Fund Program purposes, including making Loans. As a condition to the issuance of additional Bonds, the General Resolution requires that there will be delivered to the Trustee a certificate of an Authorized Officer that, upon the issuance of such Bonds, there will be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement and that there will be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement.

Any additional Bonds issued under the General Resolution will be on a parity with the 1997 Series 1 Bonds, and other Bonds previously issued, and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the State set forth in the General Resolution (except for funds pledged to defease any specific Bonds).

Disposition of Loans

DOA may sell, assign, transfer or otherwise dispose of any Loan and the Municipal Obligations evidencing such Loan (free and clear of the pledge of the General Resolution or subject to the lien of the General Resolution, at the discretion of the State) and at such price as the Commission shall determine, provided that prior to any such sale, assignment, transfer or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer or disposition, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer or otherwise dispose of any Loan and the Municipal Obligation evidencing such Loan (but not free and clear of the General Resolution), at such price as the Commission shall determine provided that prior to such sale, assignment, transfer or

disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer or disposition and the deposit of the proceeds thereof in the applicable account, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State may sell, assign, transfer or otherwise dispose of any Loan and the Municipal Obligation evidencing such Loan (but not free and clear of the General Resolution) and deposit the proceeds thereof in the applicable account if such Loan and such Municipal Obligation is delinquent in payments of principal or interest and if, in the reasonable opinion of the State, as evidenced by a certificate of an Authorized Officer, the proceeds of such sale, assignment, transfer or disposition are not less than the fair market value of such delinquent Loan or Municipal Obligation.

The State may consent to prepayment of any Loan and the Municipal Obligation evidencing such Loan provided that, prior to such prepayment, the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such prepayment and deposit of the proceeds thereof to the applicable fund or account, the Subsidy Fund Requirement has not been increased.

MUNICIPALITIES

Pursuant to the Act, the Clean Water Fund is authorized to provide financial assistance in the form of loans to any Municipality. A Municipality may be any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district or federally recognized American Indian tribe or band in the State. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary. Set forth in EXHIBIT E is information regarding the ability of Municipalities to issue general obligations or revenue obligations, to exercise taxing power, to establish and pledge user fees and to establish and pledge special assessments, including procedures relating to the foregoing.

Set forth in EXHIBIT H is a list of Municipalities to which the State has made Loans with proceeds of previously issued Bonds, or has issued Commitments, and those Municipalities that have applied for financial assistance or have been placed on the current year hardship funding list. It is the intention of the State to enter into Financial Assistance Agreements with each Municipality that has executed a Commitment. It is the further intention of the State to finance wastewater projects with additional Municipalities, subject to the biennial finance plan and compliance of the Municipalities with the State's lending criteria. For further information regarding the State's lending criteria, see "LOANS; Lending Criteria".

LOANS

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund. Each Municipality must be one of the types of governments specified by the Act. The Act further requires that the Municipality comply with a number of other requirements, including, but not limited to, establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges. While the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for

Municipal Obligations, the State currently makes financial assistance available from the Clean Water Fund by making loans to Municipalities at interest rates which are at or below market rates as specified in the Act. For a summary of permissible interest rates, see “CLEAN WATER FUND PROGRAM; Financial Assistance”. Although the requirements set forth in the Act and the application process developed by DOA and DNR apply to all loans made under the Clean Water Fund Program, only repayments from Leveraged Loans are pledged to secure the Bonds, and hence the following discussion focuses on Loans.

DNR is responsible for establishing eligibility criteria for determining which applicants and which projects are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is not eligible for financial assistance from the Clean Water Fund if it has failed to comply substantially with certain Federal or State requirements associated with its previous wastewater projects.

Loan Application Process

DOA and DNR have developed an application form for Municipalities to apply for financial assistance from the Clean Water Fund. The application form requires the Municipality to provide technical information regarding the proposed project and the existing wastewater system, a project schedule, financial information relating to the project, and financial and other information relating to the Municipality. The application is reviewed by DNR for items pertaining to technical, administrative and environmental matters, including project eligibility and determination of the interest rate category for which the project is eligible. The application is reviewed by DOA to determine, among other things: (i) the financial capability of the applicant to repay its Loan; (ii) the financial terms and conditions of the Loan; (iii) the security that will be required to be pledged by the Municipality for the Loan; and (iv) such other special financial conditions as DOA may require. No Loans are made if DOA determines that the Municipality is unlikely to be able to repay the Loan.

Lending Criteria

DOA, in consultation with DNR, has the statutory responsibility to establish the financial terms and conditions of Loans, including what type of Municipal Obligation is required. In establishing these terms and conditions, DOA may consider factors that it finds relevant, including the type of Municipal Obligation or the Municipality’s creditworthiness. DOA must be satisfied that the Municipality has the financial capacity to assure sufficient revenues to operate and maintain the project for its useful life and to pay debt service on the Loan according to its terms.

The following is a summary of the current lending criteria of DOA. DOA may change its lending criteria from time to time.

DOA requires each Loan to be evidenced by one of three types of Municipal Obligations: (i) a revenue obligation secured by a covenant to assess user fees and a pledge of the utility’s revenues, (ii) a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility’s revenues, or (iii) a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality. Some Loans may be evidenced by more than one type of Municipal Obligation.

Revenue Obligations

Background

When a local government issues a revenue obligation, the obligation is a limited obligation of the government. Only revenues that are specifically pledged are available to pay the principal of and interest on the revenue obligation.

Revenue Pledge Policy

So long as the following criteria can be met, DOA will accept revenue obligations from all types of Municipalities (except counties and metropolitan sewerage districts). Under the State constitution a county's issuance of revenue obligations is treated as public debt. A metropolitan sewerage district will be required to provide general obligations unless the rating from each Rating Agency on its revenue obligations is equal to or greater than the current rating on the Bonds.

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate "net revenues" each year, that is utility revenues after deducting operating and maintenance expenses (but not deducting depreciation, debt service, tax equivalents, and capital expenditures), equal to at least 110% of the annual principal of and interest on the Loan and other obligations on a parity with or senior to the Loan ("110% Coverage"). The "net revenues" may be established by the "net revenues" from the existing utility revenues or projected "net revenues" from a newly imposed user fee rate structure. If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate "net revenues" sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate "net revenues" at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then in effect. In the event an outstanding obligation requires a debt service reserve fund for a parity obligation or requires payment dates that do not match the Loan payment dates, or requires other conditions which prevent the Loan from being a parity obligation, DOA will accept a subordinate obligation but will normally require any additional revenue obligations (whether superior, subordinate or on a parity) to meet a coverage test equal to the highest ratio then in effect on any other obligations (including the Loan). During construction periods when the annual principal and semiannual interest payments are based on cumulative amounts drawn under the Financial Assistance Agreement, user fees may be assessed such that the level of coverage available is estimated based on debt service projections.

In the event a Municipality breaches any of the covenants described above, it would be subject to a suit for mandamus to compel performance of such covenants. However, enforcement of the covenants through a suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Senior Revenue Bonds

In most instances the Clean Water Fund loan documents limit a Municipality's ability to issue additional bonds payable out of the revenues of the wastewater system that have payment priority over the bonds sold to the Clean Water Fund. In some situations this provision has been modified by the Clean Water Fund to allow additional senior bonds if the Municipality can demonstrate to the satisfaction of DOA that, following the issuance of the senior bonds, the rating of the Municipality's senior revenue obligations will be no lower than one letter grade below the ratings on the Bonds.

Service Contract

DOA will also require the Municipality to agree to pay for the value of sewerage services provided to it and to stipulate that the value equals any unpaid debt service on the Loan or debt coverage short fall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no

assurance can be given as to the enforceability of such a service contract. Moreover, unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment. In addition, a levy limit applicable to counties may diminish the ability of a county to levy taxes for this purpose.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and often pledge a mortgage to secure the revenue obligations, the current policy of DOA does not permit a debt service reserve fund to be established and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater facilities.

Special Assessment-Secured Revenue Obligations

Background

Special assessments may be levied by a Municipality to pay the costs of a public improvement. Payments to the Municipality of such special assessments may be used to repay a revenue obligation. The special assessments are paid in annual installments as established by the Municipality. Because special assessments under State law may not exceed the cost of the project, the regularly scheduled special assessment revenue alone will typically not meet the 110% Coverage test. In the event the Municipality receives prepayments of its special assessment installments, or the term of the Clean Water Fund loan exceeds the term of the special assessments, or the interest rate on the special assessment exceeds the interest rate on the Clean Water Fund loan, the Municipality may have more special assessment revenue in a year than required for debt service on its Clean Water Fund loan. In general, excess special assessment revenue collected by the Municipality will be applied to reduce debt incurred for the public improvement project. If special assessments are levied to secure revenue obligations, payments on the special assessments are deposited in the funds and accounts of the revenue-generating enterprise.

Collection of Delinquent Special Assessments

When it secures a revenue obligation, a special assessment constitutes a lien on the property against which it is levied on behalf of the local government that levies it. Delinquent special assessment payments are entered on the tax roll as a delinquent tax on the property against which they are levied and are subject to the same proceedings for collection, return and sale of property that apply to delinquent real estate taxes.

General Obligations

Background

When a local government issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of and interest on the obligation. State law requires the local government to levy taxes that will be collected in amounts and at times sufficient to make these payments (or to appropriate available funds for payments that are required to be made before taxes can be levied and collected). If the government fails to make a payment when due, the owner of a general obligation can bring a suit for mandamus to require the tax levy to be collected and applied to debt service. A suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Tax Levy

With respect to general obligations:

(1) The amount of the general obligation may not exceed the constitutional or statutory limits. For an American Indian tribe or band, the amount of the general obligation may not exceed the amount that would be permitted if the constitutional and statutory limits were to apply to the tribe or band.

(2) The Municipality must levy taxes sufficient to pay when due the principal of and interest on the Loan.

A levy limit applicable to counties may affect the ability of a county to issue general obligations.

Intergovernmental Cooperation Commissions

Wisconsin law permits the creation of a commission by contract pursuant to an intergovernmental cooperation agreement. The Clean Water Fund does not make loans to such commissions. Instead, DOA will analyze each member's credit, and the Loan will be apportioned among its members according to their participation in the project.

Loan Terms

Loan Size

The size of each Loan is determined as follows:

(1) The principal amount of the Loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the Loan.

(2) A contingency may be allowed only if the project has not been completed.

(3) For a general obligation, capitalized interest may be permitted in an amount equal to debt service payments that are due before the tax levied in support of debt service payments will be collected. The Municipality is required to apply the capitalized interest to payment of debt service on the Loan.

(4) For a revenue obligation or a special assessment obligation, capitalized interest may be permitted to cover Loan debt service payments that will accrue until the expected date of project completion. The Municipality is required to apply the capitalized interest to payment of debt service on the Loan.

Final Maturity and Amortization

The final maturity on a Loan may not exceed 20 years from the date of its origination. DOA requires principal amortization on a level-debt-service basis or, in certain cases, on a level-principal basis, with principal amortization beginning not later than 12 months (except in the case of a refinancing) after the expected date of completion of the Project.

Debt Service Payment Dates

Principal payments are required on May 1 and interest payments on May 1 and November 1. For Loans secured primarily by special assessments, an annual principal and interest payment may be required to match the Municipality's collection of the special assessments and deposit into its debt service fund.

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if there is an event of default. These provisions permit the State to intercept any State aids to the Municipality, appoint a receiver to manage the Municipality's utility operations, and require the

Municipality, to the extent it has taxing power, to add delinquent user charges to the tax bill of the respective property.

Levy Limit for Counties

Counties are subject to a tax rate limit. The tax levy of each county is limited, generally to the rate at which taxes were levied in 1992 or a higher rate approved by the voters at referendum. The tax rate limit excludes taxes levied for debt service on general obligations approved by the voters at a referendum or by a three-quarters vote of the county board of supervisors. Further, the tax rate limit excludes taxes levied for debt service on general obligations issued or authorized before the effective date of the legislation. As of September 30, 1996, only a small principal amount (\$420,652) is outstanding from the one Loan previously made to a county, and no significant amount of additional Loans to counties are anticipated.

Commitments

Upon approval of an application by DNR and DOA, and satisfaction by DOA that the Municipality meets the financial criteria established by DOA, DNR and DOA may issue a Commitment to the Municipality to finance all or part of the project. The Commitment will include an estimated Loan repayment schedule and other terms of the financial assistance. The Commitment may contain certain conditions that the Municipality must meet to secure a Financial Assistance Agreement.

Financial Assistance Agreements

The Financial Assistance Agreement constitutes the agreement by which the Loan is made and is, in effect, a loan agreement. The Financial Assistance Agreement contains the terms and conditions of the Loan, including the final maturity, maximum principal amount, interest rate, procedures for disbursement of funds to the Municipality, agreements of the Municipality to construct the project, and covenants of the Municipality regarding proper use of Loan proceeds and compliance with Clean Water Fund Program requirements.

Certain Provisions of Financial Assistance Agreements

Prior to Loan disbursements, proceeds expected to be loaned to Municipalities are held by the Trustee in the Loan Fund. Interest earnings on proceeds held in the Loan Fund shall be for the benefit of the Clean Water Fund. As proceeds are disbursed from the Loan Fund pursuant to a Municipality's Financial Assistance Agreement, interest on the respective Loan shall accrue and be payable on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each loan disbursed is structured to provide level annual debt service from the disbursement date until the final maturity date specified in the respective Municipality's Financial Assistance Agreement. Upon project completion, a Municipality's Loan repayment schedule under its respective Financial Assistance Agreement will reflect the principal amortization of the cumulative disbursements to the Municipality.

If the final audit of the project reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition, or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State shall, to the

extent permitted by law, have all remedies provided by law and the Financial Assistance Agreement.

The Financial Assistance Agreement may be modified or amended upon a written agreement between the State and the Municipality.

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, each Municipality is required to issue and deliver to the State a Municipal Obligation evidencing the obligation of the Municipality to repay the Loan. The Municipal Obligation will reflect the terms of the Financial Assistance Agreement. See EXHIBIT E for information regarding the authority of Municipalities to issue Municipal Obligations and to raise the revenues pledged thereunder. Upon execution of a Financial Assistance Agreement and issuance of a Municipal Obligation, a Municipality will be required to deliver an opinion of counsel as more fully described under “OTHER MATTERS; Certain Legal Matters”.

TAX MATTERS

Certain Requirements of Code

The Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements which must be met subsequent to the issuance and delivery of the 1997 Series 1 Bonds in order that the interest on the 1997 Series 1 Bonds be and remain excluded from gross income pursuant to Section 103 of the Code. Noncompliance could cause interest on the 1997 Series 1 Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Tax Regulatory Agreement entered into by the State describes the application to be made of certain funds held under the General Resolution and sets forth certain representations, statements of intention, conditions and covenants relating to the use of proceeds of the 1997 Series 1 Bonds necessary for, or related to, compliance with the requirements of Section 103 and related provisions of the Code including the arbitrage limitations imposed with respect to the investment of 1997 Series 1 Bond proceeds pursuant to Section 148 of the Code. The State agrees generally that it will take such actions as may be necessary and within its reasonable control to ensure that the 1997 Series 1 Bonds will continue to be obligations described in Section 103(a) of the Code. Each Municipality will agree in its Financial Assistance Agreement that it will not take any action within its reasonable control which will result in (or fail to take any action within its reasonable control that will prevent) the loss of the exclusion of interest on the 1997 Series 1 Bonds from gross income for federal income tax purposes.

Opinion of Bond Counsel

Federal Taxes

In the opinion of Michael, Best & Friedrich, Bond Counsel, whose approving opinion is substantially in the form shown in EXHIBIT I, under existing statutes and court decisions, interest on the 1997 Series 1 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations. As summarized below under “Certain Additional Federal Tax Consequences”, such interest, however, is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax, the environmental tax and the foreign branch profits tax.

Basis of Federal Income Tax Opinion

In rendering the foregoing opinion, Bond Counsel has relied upon and assumed compliance by the State and the Municipalities with the procedures and covenants set forth respectively in the Tax Regulatory Agreement entered into by the State and the Financial Assistance Agreement executed by each Municipality.

Certain Additional Federal Tax Consequences

General

The following is a discussion of certain federal income tax matters under existing statutes. It is for general information only and does not purport to deal with all aspects of federal taxation that may be relevant to particular owners of the 1997 Series 1 Bonds. Prospective investors, particularly those who may be subject to special tax rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 1997 Series 1 Bonds, as well as any tax consequences arising under the laws of any foreign state or other taxing jurisdiction.

Alternative Minimum Tax

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the 1997 Series 1 Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of certain corporations not otherwise included in the alternative minimum tax base will be included for purposes of calculating alternative minimum taxable income. The adjusted current earnings of a corporation will include the amount of any income received that is otherwise exempt from taxes.

Environmental Tax

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (alternative minimum taxable income with certain modifications) over \$2 million, which would include interest on the 1997 Series 1 Bonds. Under current Code provisions, the environmental tax does not apply to tax years beginning on or after January 1, 1996. However, such tax could be applied retroactively.

Social Security and Railroad Retirement Payments

The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments is to be included in taxable income of individuals.

Branch Profits Tax

The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds

The Code provides that interest paid on borrowed funds to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Financial Institutions

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct their cost of carrying certain obligations (other than certain “qualified” obligations), effective for obligations acquired after August 7, 1986. The 1997 Series 1 Bonds are not “qualified” obligations for this purpose.

Property and Casualty Companies

The Code contains provisions relating to property and casualty companies whereunder the amount of certain cost deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

S Corporations

The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Passive investments include interest on tax-exempt obligations.

Original Issue Discount

The 1997 Series 1 Bonds maturing on June 1, 2002, 2003 and 2008 through 2017 (the “Discount Bonds”) are being sold subject to original issue discount. The original issue discount is the excess of the stated redemption price at maturity of the Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond who acquires the Discount Bond in this offering during any accrual period generally equals (i) the issue price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on the Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in the Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of the Discount Bond.

Original Issue Premium

The 1997 Series 1 Bonds maturing on June 1, 1999 through 2001 and 2005 through 2007 (the “Premium Bonds”) are being sold at an amount in excess of the amount payable on maturity. Such excess constitutes bond premium under Section 171 of the Code. Under Section 171 of the Code, amortizable bond premium on a Premium Bond is determined on a constant yield basis (except to the extent regulations may provide otherwise) over the term of the Premium Bond. No deduction from the income of an owner of a Premium Bond is allowed with respect to the amount of amortizable bond premium. The basis of each Premium Bond will be reduced by the amount of amortizable bond premium for a taxable year required to be taken into account by an owner.

OTHER MATTERS

Absence of Litigation

Upon delivery of the 1997 Series 1 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 1997 Series 1 Bonds, to the effect that there is no controversy or litigation of any nature pending or, to the best of the State's knowledge, threatened, to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the 1997 Series 1 Bonds, or in any way contesting or affecting the validity or enforceability of the 1997 Series 1 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the 1997 Series 1 Bonds. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged Receipts or other revenues, receipts, funds or moneys pledged for the payment of the 1997 Series 1 Bonds which has not been disclosed in this Official Statement.

Each Municipality entering into a Financial Assistance Agreement is required, as a condition of the Loan, to deliver a certificate to the effect that there is no controversy or litigation of any nature pending or, to its knowledge, threatened against the Municipality contesting or affecting the validity or enforceability of the Financial Assistance Agreement or the Municipal Obligation or the use of the proceeds of the Municipal Obligation. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or, to its knowledge, threatened by or against the Municipality wherein an adverse ruling could have a material adverse impact on the financial condition of the Municipality or adversely affect the power of the Municipality to levy, collect and enforce the levying or collection of taxes, the imposition of rates or charges, or the collection of any of the foregoing, as applicable, for the payment of its Municipal Obligation which has not been disclosed to the State.

Legal Investment

The 1997 Series 1 Bonds are legal investments for all banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies and other persons or entities carrying on a banking business in the State; for all executors, administrators, guardians, trustees and other fiduciaries in the State; for the State and all public officers, municipal corporations, political subdivisions and public bodies in the State.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase from the State the 1997 Series 1 Bonds described on the cover page of this Official Statement at an aggregate underwriters' discount, from the initial public offering prices (or from prices determined by reference to the yields) set forth on the front cover hereof, equal to \$499,171.31 and to reoffer such 1997 Series 1 Bonds at the public offering prices or yields set forth on the front cover hereof. The 1997 Series 1 Bonds may be offered and sold to certain dealers (including dealers depositing the 1997 Series 1 Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 1997 Series 1 Bonds if any 1997 Series 1 Bonds are purchased.

Reference Information About the 1997 Series 1 Bonds

The following information about the 1997 Series 1 Bonds is provided for reference. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and prices have

been provided by the Underwriters in order to allow the computation of yield for federal tax law compliance. The price has been calculated to the lower of yield to maturity or yield to call.

\$80,000,000
State of Wisconsin
Clean Water Revenue Bonds, 1997 Series 1

Dated Date: January 15, 1997
First Interest Date: June 1, 1997
Issuance Date: On or about February 11, 1997

CUSIP	Year (June 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price	Yield at Issuance	Price at Issuance
977092 CZ6	1999	\$2,640,000	4.500%	Not Callable	-	4.100%	100.866%
977092 DA0	2000	2,760,000	4.500	Not Callable	-	4.300	100.604
977092 DB8	2001	2,880,000	4.500	Not Callable	-	4.450	100.188
977092 DC6	2002	3,010,000	4.500	Not Callable	-	4.550	99.760
977092 DD4	2003	3,150,000	4.600	Not Callable	-	4.650	99.723
977092 DE2	2004	3,290,000	4.750	Not Callable	-	4.750	100.000
977092 DF9	2005	3,445,000	5.250	Not Callable	-	4.850	102.700
977092 DG7	2006	3,625,000	6.000	Not Callable	-	4.950	107.745
977092 DH5	2007	3,845,000	6.000	Not Callable	-	5.050	107.551
977092 DJ1	2008	4,080,000	5.100	6/1/2007	100%	5.150	99.567
977092 DK8	2009	4,285,000	5.125	6/1/2007	100	5.250	98.869
977092 DL6	2010	4,505,000	5.250	6/1/2007	100	5.350	99.048
977092 DM4	2011	4,740,000	5.300	6/1/2007	100	5.400	99.003
977092 DN2	2012	4,990,000	5.375	6/1/2007	100	5.450	99.219
977092 DP7	2013	5,260,000	5.400	6/1/2007	100	5.500	98.923
977092 DQ5	2014	5,545,000	5.500	6/1/2007	100	5.550	99.439
977092 DR3	2015	5,850,000	5.500	6/1/2007	100	5.600	98.854
977092 DS1	2016	6,170,000	5.600	6/1/2007	100	5.625	99.698
977092 DT9	2017	5,930,000	5.600	6/1/2007	100	5.650	99.391

Financial Advisor

First Albany Corporation is employed by the State to perform professional services in the capacity of financial advisor. In its role as financial advisor to the State, it has provided advice on the plan of financing and structure of the 1997 Series 1 Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 1997 Series 1 Bonds by the Underwriters.

Ratings

The 1997 Series 1 Bonds have been rated AA+ by Fitch Investors Service, L. P., Aa2 by Moody's Investors Service, Inc. and AA+ by Standard & Poor's Ratings 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 1997 Series 1 Bonds 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 1997 Series 1 Bonds.

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the 1997 Series 1 Bonds are subject to the approval of Michael, Best & Friedrich, Bond Counsel, whose approving opinion, substantially in the form shown in EXHIBIT I, will be delivered on the date of issue of the 1997

Series 1 Bonds. In the event certificated 1997 Series 1 Bonds are issued, the opinion will be printed on the reverse side of each 1997 Series 1 Bond. Certain legal matters will be passed upon for the Underwriters by DeWitt Ross & Stevens S.C.

As a condition to making a Loan, the State will require an opinion of counsel (which counsel need not be a nationally recognized bond counsel) to the effect that, subject to certain exceptions for bankruptcy, insolvency and similar laws affecting creditors' rights or remedies and equitable principles, among other things, the Financial Assistance Agreement and the Municipal Obligation constitute legal, valid and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the State has entered into a Master Agreement on Continuing Disclosure, and before the delivery of the 1997 Series 1 Bonds, will enter into an Addendum Describing Annual Report for Clean Water Revenue Bonds and a Supplemental Agreement pertaining to the 1997 Series 1 Bonds (collectively, the "Agreements"). The Agreements constitute an undertaking for the benefit of the beneficial owners of the 1997 Series 1 Bonds and require the State to prepare and provide an Annual Report (providing certain financial information and operating data relating to the State) not later than 180 days following the close of the State's fiscal year (beginning with the fiscal year ending June 30, 1996), to each of the NRMSIRs, and to provide notices of occurrence of certain events specified in the Rule to the NRMSIRs or the Municipal Securities Rulemaking Board (the "MSRB"), and to the state information depository ("SID"), if any. As of the date of this Official Statement no SID has been established. Copies of the Agreements, Annual Report, and notices can be obtained from: Capital Finance Office; Department of Administration; Division of Executive Budget and Finance; 101 East Wilson Street; P.O. Box 7864; Madison, WI 53707-7864.

As of the date of this official statement, MMSD is the only Municipality expected to be the source of 20% or more of the cash flow servicing the Bonds. MMSD has entered into a Master Agreement on Continuing Disclosure, and before the delivery of the 1997 Series 1 Bonds, will enter into a Supplemental Agreement (collectively, the "MMSD Disclosure Agreement") for the benefit of the owners of the 1997 Series 1 Bonds. The MMSD Disclosure Agreement requires MMSD to provide an Annual Report (containing certain financial information and operating information relating to MMSD of the type included in EXHIBIT C hereto) not later than 180 days following the close of MMSD's fiscal year, beginning with the fiscal year ending December 31, 1996, to each NRMSIR, and to provide notices of occurrence of certain events specified in the Rule to the NRMSIRs or the MSRB, and to the SID, if any.

The aforementioned agreements also describe the consequences of any failure to provide the required information. The aforementioned agreements require that a failure to provide the required information must be reported to the NRMSIRs or the MSRB, and to any SID, and the Rule requires consideration of any such failure by any brokers, dealer or municipal securities dealer before recommending the purchase or sale of the 1997 Series 1 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 1997 Series 1 Bonds and their market price. In the previous five years, there has been no failure to comply in any material respect with a similar undertaking by the State. Prior to delivery of the 1997 Series 1 Bonds MMSD will certify to the State that since the adoption of the MMSD Disclosure Agreement, MMSD has complied (in all material respects) with its terms and that prior

to such adoption MMSD had not entered into any other agreement similar to the MMSD Disclosure Agreement.

FURTHER INFORMATION

The references herein to and summaries of federal, State and local laws, including but not limited to the Code, and laws of the State, the Act, the Water Quality Act, and documents, agreements and court decisions, including but not limited to the General Resolution, the Series Resolution, the Financial Assistance Agreements and the Municipal Obligations, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the General Resolution and the Series Resolution, the Financial Assistance Agreements, and the Municipal Obligations are available for inspection during normal business hours at the offices of DOA.

Periodic public reports relating to the financial condition of the State, its operations and the balances, receipts and disbursements of the various funds of the State are prepared by DOA, the Department of Revenue, the State Treasurer and the Legislative Auditor. Additional information about the State may be obtained upon request from DOA, Attn.: Mr. Frank R. Hoadley, Capital Finance Director, (608) 266-2305.

The State has covenanted to file with the Trustee, and to make generally available from DOA upon request, a copy of its audited financial report with respect to the Clean Water Fund Program for each fiscal year. A copy of the auditor's report and financial statements for the Clean Water Fund Program as of June 30, 1996 and 1995 is set forth in EXHIBIT B. The State has not otherwise committed to update information in this Official Statement or to provide any other continuing disclosure concerning the Clean Water Fund Program, except as provided herein under "CONTINUING DISCLOSURE".

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any owners of the 1997 Series 1 Bonds.

This Official Statement is submitted only in connection with the sale of the 1997 Series 1 Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except with express permission.

Dated: January 23, 1997

STATE OF WISCONSIN

/s/ Tommy G. Thompson

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

/s/ Mark D. Bugher

Mark D. Bugher, Secretary
State of Wisconsin Department of Administration

/s/ Robert Brandherm

Robert Brandherm, Secretary
State of Wisconsin Building Commission

The Exhibites to this Official Statement are contained in a separate file named OS971-B.pdf. This file is available at the following location:
<http://www.doa.state.wi.us/debf/capfin/wioscwf.htm>

Inquiries should be directed to:

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
Phone:(608) 266-0374
Fax: (608) 266-7645