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*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.

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
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		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

Governor Tommy G. Thompson, Chairperson
 Senator Rodney C. Moen
 Senator Fred A. Risser
 Senator Tim Weeden
 Representative Timothy Hoven
 Representative Clifford Otte
 Representative Robert Turner
 Mr. Bryce Styza, Citizen Member

Term of Office Expires

January 4, 1999
 January 4, 1999
 January 8, 2001
 January 4, 1999
 January 4, 1999
 January 4, 1999
 January 4, 1999

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”.

EXHIBIT A

INFORMATION ABOUT THE STATE

This exhibit includes information concerning the State of Wisconsin. Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 1996 (the "State Annual Report") are included by reference as EXHIBIT A hereof. The State Annual Report has been filed with each nationally recognized municipal securities information repository ("NRMSIR"). As of the date of this Official Statement, the State Annual Report can be found on the internet at <http://www.doa.state.wi.us/debf/scf1.htm>.

EXHIBIT B
AUDITED FINANCIAL STATEMENTS

The following are the auditor's report and financial statements for the Clean Water Fund Program as of June 30, 1996 and 1995.

STATE OF WISCONSIN

CLEAN WATER FUND PROGRAM

FINANCIAL STATEMENTS

AS OF JUNE 30, 1996 AND 1995

TOGETHER WITH REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Secretary of the Department of Administration
and the Secretary of the Department of Natural Resources
of the State of Wisconsin:

We have audited the accompanying balance sheets of the State of Wisconsin Clean Water Fund Program (an enterprise fund of the State of Wisconsin) as of June 30, 1996 and 1995, and the related statements of revenues and expenses, changes in fund equity and cash flows for the years then ended. These financial statements and the supplementary information referred to below are the responsibility of management. Our responsibility is to express an opinion on these financial statements and supplementary information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Wisconsin Clean Water Fund Program as of June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
October 16, 1996.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
BALANCE SHEETS
AS OF JUNE 30, 1996 AND 1995

<u>ASSETS</u>	<u>1996</u>	<u>1995</u>
CASH AND CASH EQUIVALENTS	\$137,275,276	\$107,800,636
INVESTMENT-State of Wisconsin General Obligation Clean Water Bonds	79,595,005	76,641,433
RECEIVABLES:		
Loans to Wisconsin municipalities	606,071,121	534,430,600
Due from State of Wisconsin	126,455	12,003
Due from other governmental entities	5,879,393	3,106,129
Accrued interest	1,520,865	1,354,159
RESTRICTED ASSETS	29,471,991	24,541,016
DEFERRED DEBT EXPENSE	2,532,574	2,491,672
OTHER ASSETS	140,619	189,507
Total assets	<u>\$862,613,299</u>	<u>\$750,567,155</u>
<u>LIABILITIES AND FUND EQUITY</u>		
REVENUE OBLIGATION BONDS, net (including deferred charge)	\$364,631,898	\$292,493,828
ACCRUED INTEREST ON BONDS	1,758,402	1,432,751
DUE TO OTHER FUNDS	614,526	229,244
ACCRUED EXPENSES	210,049	256,835
Total liabilities	<u>367,214,875</u>	<u>294,412,658</u>
FUND EQUITY:		
Contributed capital	517,555,314	478,632,023
Retained (deficit)	<u>(22,156,890)</u>	<u>(22,477,526)</u>
Total fund equity	<u>495,398,424</u>	<u>456,154,497</u>
Total liabilities and fund equity	<u>\$862,613,299</u>	<u>\$750,567,155</u>

The accompanying notes to financial statements
are an integral part of these balance sheets.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
OPERATING REVENUES:		
Loan interest	\$18,321,599	\$16,248,048
OPERATING EXPENSES:		
Interest	23,024,545	18,450,253
Salaries and benefits	2,941,193	3,001,414
Contractual services and other	575,767	645,739
Depreciation	<u>58,254</u>	<u>65,548</u>
Total operating expenses	<u>26,599,759</u>	<u>22,162,954</u>
Net operating (loss)	<u>(8,278,160)</u>	<u>(5,914,906)</u>
OTHER INCOME (EXPENSE):		
Investment interest	17,102,740	13,584,613
Operating grants	2,082,758	2,106,255
Hardship and other grants	(10,585,735)	(15,332,834)
Other revenues	<u>2,100</u>	<u>6,505</u>
Total other income	<u>8,601,863</u>	<u>364,539</u>
Residual equity transfers out	<u>(3,067)</u>	<u>-</u>
Net income (loss)	<u>\$320,636</u>	<u>\$ (5,550,367)</u>

The accompanying notes to financial statements
are an integral part of these statements.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM

STATEMENTS OF CHANGES IN FUND EQUITY
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>Contributed Capital</u>	<u>Retained (Deficit)</u>	<u>Total Fund Equity</u>
FUND EQUITY, June 30, 1994	\$390,926,114	\$(16,927,159)	\$373,998,955
NET (LOSS)	-	(5,550,367)	(5,550,367)
CAPITAL CONTRIBUTIONS:			
State of Wisconsin	51,541,071	-	51,541,071
U.S. Environmental Protection Agency	<u>36,164,838</u>	<u>-</u>	<u>36,164,838</u>
FUND EQUITY, June 30, 1995	478,632,023	(22,477,526)	456,154,497
NET INCOME	-	320,636	320,636
CAPITAL CONTRIBUTIONS:			
State of Wisconsin	12,000,000	-	12,000,000
U.S. Environmental Protection Agency	<u>26,923,291</u>	<u>-</u>	<u>26,923,291</u>
FUND EQUITY, June 30, 1996	<u>\$517,555,314</u>	<u>\$(22,156,890)</u>	<u>\$495,398,424</u>

The accompanying notes to financial statements
are an integral part of these statements.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to employees for services	\$(2,010,732)	\$(3,373,426)
Payments to suppliers and other	<u>(1,729,517)</u>	<u>(599,619)</u>
Net cash (used in) operations	(3,740,249)	(3,973,045)
CASH FLOWS FROM NONCAPITAL FINANCING:		
Operating grants received	1,586,660	2,141,578
Grants paid	(10,585,735)	(15,332,834)
Contributed capital--State of Wisconsin	24,000,000	55,041,071
Return of contributed capital--State of Wisconsin	(12,000,000)	(3,500,000)
Contributed capital--U.S. Environmental Protection Agency	25,035,552	36,164,838
Proceeds from issuance of long-term debt	80,933,834	-
Retirement of long-term debt	(10,100,000)	(8,045,000)
Interest payments	<u>(21,269,308)</u>	<u>(17,631,928)</u>
Net cash provided by noncapital financing activities	77,601,003	48,837,725
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:		
Purchase of fixed assets	<u>(22,804)</u>	<u>(99,716)</u>
Net cash used in capital and related financing activities	(22,804)	(99,716)
CASH FLOWS FROM INVESTING:		
Origination of loans	(99,443,739)	(88,224,516)
Collection of loans	27,803,217	22,901,214
Interest on loans	17,932,156	15,895,239
Purchase of investments	(5,000,000)	(4,935,573)
Liquidation of investments	2,046,428	1,783,001
(Increase) decrease in restricted assets	(4,930,975)	2,203,133
Investment income recorded	<u>17,229,603</u>	<u>13,711,962</u>
Net cash provided by investing activities	(44,363,310)	(36,665,540)
Net increase in cash and cash equivalents	29,474,640	8,099,424
CASH AND CASH EQUIVALENTS, at beginning of year	107,800,636	99,701,212
CASH AND CASH EQUIVALENTS, at end of year	<u>\$137,275,276</u>	<u>\$107,800,636</u>

The accompanying notes to financial statements
are an integral part of these statements.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

(Continued)

	<u>1996</u>	<u>1995</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATIONS:		
Operating (loss)	<u>\$(8,278,160)</u>	<u>\$(5,914,906)</u>
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH (USED IN) OPERATIONS:		
Depreciation	58,254	65,548
Amortization	1,184,881	854,900
Interest income classified as investing activity	(17,932,156)	(15,895,239)
Interest expense classified as noncapital financing activity	21,347,762	17,709,110
Changes in assets and liabilities-		
Decrease in prepaid items	1,563	1,386
Decrease in receivables	1,200	13,631
(Increase) in other receivables	-	(1,185)
Decrease/(increase) in due from other funds	(439,180)	52,099
(Increase) in due from other governments	(389,426)	(352,777)
(Decrease)/increase in accounts payable	(62,148)	67,629
Increase/(decrease) in interest payable	325,649	(113,756)
Increase/(decrease) in compensated absences	23,570	(16,474)
Increase/(decrease) in due to other funds	416,442	(419,899)
Increase/(decrease) in due to other governments	<u>1,500</u>	<u>(23,112)</u>
Total adjustments	<u>4,537,911</u>	<u>1,941,861</u>
Net cash (used in) operations	<u><u>\$(3,740,249)</u></u>	<u><u>\$(3,973,045)</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

STATE OF WISCONSIN

CLEAN WATER FUND PROGRAM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996

(1) Nature of Operations and Summary of Significant Accounting Policies-

(a) Reporting entity-

The State of Wisconsin Clean Water Fund Program (the "Fund") is an enterprise fund of the State of Wisconsin (the "State") administered by the State of Wisconsin Department of Natural Resources (the "DNR") and the State of Wisconsin Department of Administration (the "DOA").

The Fund was established in 1990 when the State of Wisconsin approved legislation directing establishment of the Clean Water Fund Loan Program. The Fund consists of the following programs:

- o Leveraged Loan Program--This program is funded by proceeds of revenue obligation bonds and capital contributions from the State. Assets in this program are used for loans to Wisconsin municipal waste water projects that meet applicable State eligibility and reporting requirements.
- o Direct Loan Program--This program is funded by U.S. Environmental Protection Agency (the "EPA") capitalization grants and capital contributions from the State (i.e., a minimum 20% match of EPA capitalization grant). Loans in this program are made for waste water projects that comply with EPA eligibility and reporting requirements.
- o Proprietary Program--This program is funded by capital contributions from the State. Assets of this program are used for other various waste water projects including both loans and hardship grants.

(b) Net losses-

The Fund incurred a net loss in 1995 of approximately \$6 million. Management expects the Fund will generally continue to incur net losses or perhaps a small profit in some years for the foreseeable future. As explained in Note 2, these losses result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. The losses have historically been funded by capital contributions. Capital contributions were approximately \$39 million and \$88 million in 1996 and 1995, respectively. Management expects capital contributions will continue for the foreseeable future sufficient to fund both the future net losses and, together with additional borrowing, to fund additional loans to municipalities.

(c) Interest on loans receivable-

Interest on loans receivable is recognized on an accrual basis.

(d) Investments-

Investments are stated at cost (see Note 6). Accrued interest on investments is recorded as earned. Investment transactions are recorded on the trade date.

(e) Deferred debt expense-

Issuance costs relating to the revenue obligation bonds were capitalized and are being amortized using the effective rate method.

(f) Revenue obligation bonds-

Interest on revenue obligation bonds is recognized on an accrual basis.

(g) Deferred charge-

The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

(h) Cash equivalents-

The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Fund also considers as cash equivalents guaranteed investment contracts or repurchase agreements permitting withdrawals required by the bond resolution to meet insufficiencies in debt service payments.

(2) Loans to Wisconsin Municipalities-

Loans to Wisconsin municipalities represent loans for waste water treatment projects and are for terms of up to 20 years. These loans are made at a number of prescribed interest rates based on project type categories. In order to effectuate statutory policy, a majority of the loans issued by the Clean Water Fund Program are at interest rates which are below the State's cost of borrowing. The net loss and resulting retained deficit created by this negative interest margin is funded by State contributions. Interest rates ranged from 5.8% to 0% in both 1996 and 1995. The weighted average interest rate was 3.17% and 3.16% in 1996 and 1995, respectively. The loans contractually are revenue obligations or general obligations of the municipalities, or both. Additionally, various statutory provisions exist which provide further security for payment. In the event of a default, the State can intercept State aid payments due to the applicable municipality, induce an additional

charge to the amount of property taxes levied by the county in which the applicable municipality is located, or both. Accordingly, no reserve for loan loss is deemed necessary.

Of the loans outstanding at June 30, 1996 and 1995, \$181,548,216 and \$177,015,832 (30% and 33%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Fund has made additional financial assistance commitments of \$184,777,866 as of June 30, 1996. From July 1, 1996 to October 4, 1996, the Fund made loan disbursements of \$23,278,458 from these additional commitments. These loan commitments are generally met through the proceeds from additional Federal grants and from the issuance of additional revenue obligation bonds. (See Note 4.)

(3) Cash and Cash Equivalents-

As of June 30, 1996 and 1995, cash and cash equivalents consisted of the following:

	<u>1996</u>	<u>1995</u>
State of Wisconsin Investment Board (SWIB) Local Government Investment Pool (LGIP)	\$128,872,139	\$102,065,071
Repurchase agreement with Sanwa Bank (New York)	24,026,289	24,026,289
MBIA guaranteed investment agreement	6,250,292	6,250,292
Repurchase agreement with Bayerische Landesbank	<u>7,597,910</u>	<u>-</u>
	166,747,267	132,341,652
Less: Restricted assets (see Note 4)	<u>(29,471,991)</u>	<u>(24,541,016)</u>
Total cash and cash equivalents	<u>\$137,275,276</u>	<u>\$107,800,636</u>

The LGIP is an investment fund managed by SWIB that accepts investment deposits from over 1,000 municipalities and other public entities in the State of Wisconsin. The objectives of the LGIP are to provide safety of principal, liquidity, and a reasonable rate of return. The LGIP is insured as to credit risk. The LGIP functions in a manner similar to a money market fund in that the yield earned changes daily and participants may invest or withdraw any or all amounts on a daily basis at par value. The LGIP is strategically managed with a longer than average life than a money market fund. At June 30, 1996, the current yield on the LGIP was 5.03%.

The repurchase agreement with Sanwa Bank is collateralized by Fannie Mae and Freddie Mac obligations with a market value of \$28,593,693 at June 30, 1996 and \$27,487,877 at June 30, 1995. The collateral is held by Chemical Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 8.07%. The investment with MBIA Investment Management Corporation is secured by a financial guarantee insurance policy issued by the MBIA Insurance Corporation. At June 30, 1996, the agreement was accruing interest at the rate of 6.2%. The repurchase agreement with Bayerische Landesbank is collateralized by U.S. Treasury notes, bonds and debentures with a market value of \$10,304,300 at June 30, 1996. The collateral is held by Norwest Bank pursuant to a custody agreement. The repurchase agreement contains a fixed yield of 6.5%. Both the repurchase

agreements and the MBIA investment agreement provide for liquidation of investments at par if and when required by the terms of the Clean Water Revenue Bond General Resolution.

(4) Revenue Obligation Bonds and Restricted Assets-

Revenue obligation serial and term bonds as of June 30, 1996 and 1995, consisted of the following:

	<u>1996</u>	<u>1995</u>
1991 Series 1:		
Serial Bonds, optional redemption for bonds at 102% of par, June 1, 2001, declining to 100% of par, June 1, 2003	\$71,100,000	\$79,075,000
Term Bonds, mandatory redemption of bonds at 100% of par, June 1, 2009 through June 1, 2011	<u>57,445,000</u>	<u>57,445,000</u>
	<u>128,545,000</u>	<u>136,520,000</u>
Unamortized discount on bonds	<u>(368,003)</u>	<u>(374,353)</u>
	<u>128,176,997</u>	<u>136,145,647</u>
1993 Series 1:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	\$82,735,000	84,345,000
Unamortized discount on bonds	<u>(736,741)</u>	<u>(798,856)</u>
	<u>81,998,259</u>	<u>83,546,144</u>
1993 Series 2:		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2004	79,650,000	80,165,000
Unamortized premium on bonds	<u>1,977,256</u>	<u>2,112,556</u>
	<u>81,627,256</u>	<u>82,277,556</u>

	<u>1996</u>	<u>1995</u>
1995 Series 1		
Serial Bonds, optional redemption for bonds at 100% of par, June 1, 2006	80,000,000	-
Unamortized premium on bonds	<u>1,126,872</u>	<u>-</u>
	81,126,872	
Total of all series	372,929,384	301,969,347
Unamortized deferred charge related to debt defeasance (Note 5)	<u>(8,297,486)</u>	<u>(9,475,519)</u>
Revenue obligation bonds, net of deferred charge	<u>\$364,631,898</u>	<u>\$292,493,828</u>

The original issue discount or premium and weighted average interest rate on the following bonds were:

<u>Series</u>	<u>Original Issue Discount/(Premium)</u>	<u>Weighted Average Interest Rate</u>
1991 Series 1	\$1,366,407	6.56%
1993 Series 1	907,852	4.97%
1993 Series 2	(2,349,252)	5.00%
1995 Series 1	(1,253,936)	5.29%

Rates range from 3.90% to 6.88%.

Maturities of the bonds, net of advance refundings, as of June 30, 1996, are as follows:

	<u>1991 Series</u>	<u>1993 Series 1</u>	<u>1993 Series 2</u>	<u>1995 Series 1</u>	<u>Total</u>
Years Ending					
June 30, 1997	\$8,440,000	\$3,340,000	530,000	\$1,250,000	\$13,560,000
1998	8,940,000	3,470,000	550,000	1,310,000	14,270,000
1999	9,470,000	3,610,000	575,000	3,165,000	16,820,000
2000	10,060,000	3,765,000	600,000	3,300,000	17,725,000
2001	10,695,000	3,925,000	625,000	3,450,000	18,695,000
2002-2005	23,495,000	17,545,000	29,195,000	15,985,000	86,220,000
2006-2010	-	27,160,000	47,575,000	25,740,000	100,475,000
2011-2015	57,445,000	19,920,000	-	25,800,000	103,165,000
	<u>\$128,545,000</u>	<u>\$82,735,000</u>	<u>\$79,650,000</u>	<u>\$80,000,000</u>	<u>\$370,930,000</u>

The revenue obligation bonds are collateralized by a security interest in all assets of the Leveraged Loan Program. At June 30, 1996 and 1995, the total assets of the Leveraged Loan Program were \$458,889,300 and \$380,708,989, respectively. Neither the full faith and credit nor the taxing power of the State is pledged for the payment of the revenue obligation bonds. However, as the loans granted to the municipalities are at an interest rate which is less than the Revenue Bond rate, the State is obligated by the Clean Water Fund General Resolution to fund, prior to each loan disbursement, a reserve which subsidizes the Leveraged Loan Program in an amount which offsets this interest rate disparity.

Among other restrictions under the revenue obligation bond agreements are provisions that require that a specified amount of cash and investments be held by an independent trustee in a reserve account for the purpose of paying bond interest and principal when due. The restricted assets on the balance sheet, which constitute substantially all of the Sanwa, MBIA, and Bayerische Landesbank investments (Note 3), represent the amounts restricted under the agreements and an equal amount, as defined, to maintain a prescribed minimum credit quality rating for the loans outstanding.

(5) Advance Refunding-

In 1993, the Fund defeased a portion of the 1991 Series 1 Revenue Obligation Bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. On June 30, 1995, \$73,765,000 of bonds outstanding are considered defeased.

(6) Contributed Capital-

State of Wisconsin--For fiscal year 1996, Capital Contributions from the State consisted of \$24,000,000 in cash reduced by the return of capital of \$12,000,000 (\$4,000,000 which was statutorily mandated). The statutorily mandated return of capital is based on amounts the State general fund requires for debt service payments on obligations the State incurred to fund certain capital contributions to the fund. The Fund will be required to return capital to the State in fiscal 1997 and 1998 of \$4,000,000 each year. As of June 30, 1996, the Fund owned \$79,595,005 (par value) of State of Wisconsin General Obligation Bonds (\$55,000,000 of Clean Water Fund Series 1 Bonds of 1991, \$5,000,000 of Clean Water Fund Series A Bonds of 1993 and \$20,000,000 of Clean Water Fund Series 1 Bonds of 1994, and \$5,000,000 of Clean Water Fund Series 1 Bonds of 1995) using cash contributed by the State to the Fund. The full faith, credit and taxing power of the State are irrevocably pledged for payment of the principal of and interest on the General Obligation Bonds. Although the intent of the Fund is to hold

the Bonds to maturity, the Bonds can be sold without restriction. The estimated market value and the stated weighted average interest rate of the State of Wisconsin General Obligation Bonds-Clean Water Fund Series are as follows:

	Estimated Market Value		Weighted Average Interest Rate	
	1996	1995	1996	1995
1991 Series 1	\$56,961,498	\$60,720,750	9.4%	9.4%
1993 Series A	4,752,048	5,048,594	8.0%	7.9%
1994 Series 1	18,523,259	19,215,397	6.6%	6.6%
1995 Series 1	4,814,781	-	7.2%	-

The Bonds are registered in the name of the Fund and held by an independent trustee. By the GASB Statement No. 3 definition these securities are classified as category one (insured or registered with securities held by the Fund's agent in the Fund's name).

Maturities of the Bonds as of June 30, 1996, are as follows:

Years Ending June 30,	1991 Series 1	1993 Series A	1994 Series 1	1995 Series 1	Total
1997	\$1,712,780	\$159,198	\$532,756	\$234,545	\$2,639,279
1998	1,863,005	170,729	558,396	166,122	2,758,252
1999	2,026,223	179,976	590,720	159,640	2,956,559
2000	2,206,073	194,837	630,157	167,902	3,198,969
2001	2,409,495	206,860	660,100	180,055	3,456,510
2002-2014	40,412,040	3,655,282	16,575,631	3,961,983	64,604,936
	<u>\$50,629,616</u>	<u>\$4,547,382</u>	<u>\$19,547,760</u>	<u>\$4,870,247</u>	<u>\$79,595,005</u>

U.S. Environmental Protection Agency--The Federal Water Quality Act of 1987 (the "Water Quality Act") established a joint Federal and State program to assist in providing financial assistance to municipalities within the states for governmentally owned waste water treatment projects. Reauthorization of the Water Quality Act of 1987 is currently under consideration by the Congress of the United States. The State anticipates, subject to Federal authorization, that the allocation from those authorizations would be \$32.7 million in 1997 and \$32.7 in each of the following three years. The timing of consideration by the Senate is unknown at this time. \$29,006,048 was received in fiscal year 1996 through this grant, of which \$26,923,291 was reflected as contributed capital and \$2,082,758 as operating grants. In fiscal year 1995, \$38,271,093 was received, of which \$36,164,838 was reflected as contributed capital, and \$2,106,255 as operating grants. Under the terms of the EPA grant, the State was required (1) to establish the Fund, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of

the grant and (3) to use the monies to provide financial assistance to municipalities for governmentally owned waste water treatment projects in a number of ways, provided that such assistance is not in the form of a grant.

(7) Transactions with Related Parties-

The DNR and DOA have statutory duties to manage the Fund. All expenses relating to the management of the Fund are allocated to and paid by the Fund. Total allocated expenses from DNR and DOA which are reflected in the statement of revenues and expenses for the years ended June 30, 1996 and 1995, were \$2,713,693 and \$3,299,418, respectively. The Fund charges all DNR and DOA expenses to the Direct Loan Program and Proprietary Program. Thus, certain expenses have been allocated to the Leveraged Loan Program to more accurately reflect the expenses incurred by each program.

(8) Hardship and Other Grants-

Wisconsin statutes require that the Fund provide financial hardship assistance for those communities that qualify under Wisconsin Statute 144.241(13). This assistance may come in the form of reduced interest rates (to as low as 0%) or grants subject to limitations prescribed by the statute. In 1996, the fund expended hardship grants of \$7,335,928. At fiscal year end, the Fund had committed to award \$15,536,133 of additional hardship grants. In addition, the Fund expended \$3,215,362 of a business development grant and \$34,445 of other grants.

(9) Subsequent Event-

On August 7, 1996, the State of Wisconsin Building Commission authorized approval for the issuance and sale of Clean Water Fund Revenue Bonds not to exceed \$100,000,000. The authorized amount was increased to \$220,000,000 on October 16, 1996. As of October 16, 1996, no commitment had been made to issue the bonds.

(10) Reclassifications-

Certain reclassifications have been made to the prior year financial statements to conform to the presentation for fiscal year 1996.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 1996

	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Eliminations	Total
CASH AND CASH EQUIVALENTS	\$80,193,762	\$15,375,727	\$41,705,787	\$ -	\$137,275,276
INVESTMENT--State of Wisconsin General Obligation Clean Water Bonds	-	-	79,595,005	-	79,595,005
RECEIVABLES:					
Loans to Wisconsin municipalities	282,225,056	21,782,101	302,063,964	-	606,071,121
Due from other funds	-	1,985,745	-	(1,859,288)	126,455
Due from other governmental entities	4,278,398	68,931	1,532,064	-	5,879,393
Accrued interest	-	-	1,520,865	-	1,520,865
RESTRICTED ASSETS	-	-	29,471,991	-	29,471,991
DEFERRED DEBT EXPENSE	-	-	2,532,574	-	2,532,574
OTHER ASSETS	-	140,619	-	-	140,619
Total assets	<u>\$366,697,216</u>	<u>\$39,353,121</u>	<u>\$458,422,250</u>	<u>\$(1,859,288)</u>	<u>\$862,613,299</u>
REVENUE OBLIGATION BONDS, net (including deferred charge)	\$ -	\$ -	\$364,631,898	\$ -	\$364,631,898
ACCRUED INTEREST ON BONDS	-	-	1,758,402	-	1,758,402
DUE TO OTHER FUNDS	1,071,542	468,612	933,660	(1,859,288)	614,526
ACCRUED EXPENSES	-	210,049	-	-	210,049
Total liabilities	1,071,542	678,661	367,323,960	(1,859,288)	367,214,875
FUND EQUITY	<u>365,625,674</u>	<u>38,674,460</u>	<u>91,098,290</u>	<u>-</u>	<u>495,398,424</u>
Total liabilities and fund equity	<u>\$366,697,216</u>	<u>\$39,353,121</u>	<u>\$458,422,250</u>	<u>\$(1,859,288)</u>	<u>\$862,613,299</u>

STATE OF WISCONSIN

CLEAN WATER FUND PROGRAM

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FOR THE YEAR ENDED JUNE 30, 1996

	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Eliminations	Total
OPERATING REVENUES:					
Loan interest	\$9,175,976	\$311,907	\$8,833,716	\$ -	\$18,321,599
OPERATING EXPENSES:					
Interest	-	-	23,024,545	-	23,024,545
Salaries and benefits	2,302,081	63,911	575,201	-	2,941,193
Contractual services and other	144,760	39,829	391,178	-	575,767
Depreciation	-	58,254	-	-	58,254
Total operating expenses	2,446,841	161,994	23,990,924	-	26,599,759
Net operating income (loss)	6,729,135	149,913	(15,157,208)	-	(8,278,160)
OTHER INCOME (EXPENSE):					
Investment interest	3,800,117	563,226	12,739,397	-	17,102,740
Operating grants	2,082,758	-	-	-	2,082,758
Hardship and other grants	-	(10,585,735)	-	-	(10,585,735)
Other revenue	-	2,100	-	-	2,100
Total other income (expense)	5,882,875	-	12,739,397	-	8,601,863
Net income (loss) before operating transfers	12,612,010	(9,870,496)	(2,417,811)	-	323,703
Residual equity transfers out	-	(3,067)	-	-	(3,067)
Net income (loss)	12,612,010	(9,873,563)	(2,417,811)	-	320,636
FUND EQUITY, beginning of year	324,411,739	46,494,911	85,247,847	-	456,154,497
CAPITAL CONTRIBUTIONS:					
State of Wisconsin	1,678,634	2,053,112	8,268,254	-	12,000,000
U.S. Environmental Protection Agency	26,933,291	-	-	-	26,923,291
FUND EQUITY, end of year	<u>\$365,625,674</u>	<u>\$38,674,460</u>	<u>\$91,098,290</u>	<u>\$ -</u>	<u>\$495,398,424</u>

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Payments to employees for services	\$(1,293,297)	\$563,777	\$(1,281,212)	\$ -	\$(2,010,732)
Payments to suppliers and other	(141,042)	(1,136,155)	(452,320)	-	(1,729,517)
Net cash (used in) operations	(1,434,339)	(572,378)	(1,733,532)	-	(3,740,249)
CASH FLOWS FROM NONCAPITAL FINANCING:					
Operating grants received	1,586,660	-	-	-	1,586,660
Grants paid	-	(10,585,735)	-	-	(10,585,735)
Contributed capital--State of Wisconsin	5,678,634	10,053,112	8,268,254	-	24,000,000
Return of contributed capital--State of Wisconsin	(4,000,000)	(8,000,000)	-	-	(12,000,000)
Contributed capital--U.S. Environmental Protection Agency	25,035,552	-	-	-	25,035,552
Proceeds from issuance of long term debt	-	-	80,933,834	-	80,933,834
Retirement of long-term debt	-	-	(10,100,000)	-	(10,100,000)
Interest payments	-	-	(21,269,308)	-	(21,269,308)
Net cash provided by (used in) noncapital financing activities	28,300,846	(8,532,623)	57,832,780	-	77,601,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:					
Purchase of fixed assets	-	(22,804)	-	-	(22,804)
Net cash used in capital and related financing activities	-	(22,804)	-	-	(22,804)
CASH FLOWS FROM INVESTING:					
Loans originated	(35,488,518)	(7,971,782)	(56,233,832)	250,393	(99,443,739)
Collection of loans	12,535,034	1,436,040	14,082,536	(250,393)	27,803,217
Interest on loans	9,047,214	277,534	8,607,408	-	17,932,156
Purchase of investments	-	-	(5,000,000)	-	(5,000,000)
Liquidation of investments	-	-	2,046,428	-	2,046,428
Increase in restricted assets	-	-	(4,930,975)	-	(4,930,975)
Investment income received	3,800,117	856,796	12,572,690	-	17,229,603
Net cash provided by investing activities	(10,106,153)	(5,401,412)	(28,855,745)	-	(44,363,310)
Net increase (decrease) in cash and cash equivalents	16,760,354	(14,529,217)	27,243,503	-	29,474,640
CASH AND CASH EQUIVALENTS, at beginning of year	63,433,408	29,904,944	14,462,284	-	107,800,636
CASH AND CASH EQUIVALENTS, at end of year	<u>\$80,193,762</u>	<u>\$15,375,727</u>	<u>\$41,705,787</u>	<u>\$ -</u>	<u>\$137,275,276</u>

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

	Direct Loan Program	Proprietary Program	Leveraged Loan Program	Eliminations	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATIONS:					
Operating income (loss)	\$6,729,135	\$149,913	\$(15,157,208)	\$ -	\$(8,278,160)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATIONS:					
Depreciation	-	58,254	-	-	58,254
Amortization	-	-	1,184,881	-	1,184,881
Interest income classified as investing activity	(9,047,215)	(277,534)	(8,607,407)	-	(17,932,156)
Interest expense classified as noncapital financing activity	-	-	21,347,762	-	21,347,762
Changes in assets and liabilities-					
Decrease in prepaid items	-	1,563	-	-	1,563
Decrease in receivables	-	1,200	-	-	1,200
Decrease in due from other funds	-	(439,180)	-	-	(439,180)
(Increase) in due from other governments	(128,762)	(34,356)	(226,308)	-	(389,426)
Increase in accounts payable	(11,921)	(50,227)	-	-	(62,148)
(Decrease) in interest payable	-	-	325,649	-	325,649
(Decrease) in compensated absences	-	23,570	-	-	23,570
(Decrease) in due to other funds	1,024,424	(7,081)	(600,901)	-	416,442
(Decrease) in due to other governments	-	1,500	-	-	1,500
Total adjustments	(8,163,474)	(722,291)	13,423,676	-	4,537,911
Net cash (used in) operations	<u>\$ (1,434,339)</u>	<u>\$ (572,378)</u>	<u>\$ (1,733,532)</u>	<u>\$ -</u>	<u>\$ (3,740,249)</u>

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM--
LEVERAGED LOAN PROGRAM

BALANCE SHEET

AS OF JUNE 1, 1996

ASSETS

CASH AND CASH EQUIVALENTS	\$67,351,672
INVESTMENT--State of Wisconsin General Obligation Clean Water bonds	79,595,005
RESTRICTED ASSETS--Cash Equivalents	29,077,428
LOANS RECEIVABLE	297,475,073
DUE FROM OTHER GOVERNMENTS	779,994
ACCRUED INTEREST	820,255
DEFERRED DEBT EXPENSE	<u>2,553,737</u>
Total assets	<u><u>\$477,653,164</u></u>

LIABILITIES AND FUND EQUITY

REVENUE OBLIGATION BONDS, net (including deferred charge)	\$374,677,531
ACCRUED INTEREST ON BONDS	10,819,939
DUE TO PROPRIETARY PROGRAM	<u>855,855</u>
Total liabilities	<u><u>386,353,325</u></u>
FUND EQUITY:	
Contributed capital--State of Wisconsin	101,455,964
Retained (deficit)	<u>(10,156,125)</u>
Total fund equity	<u><u>91,299,839</u></u>
Total liabilities and fund equity	<u><u>\$477,653,164</u></u>

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM--
LEVERAGED LOAN PROGRAM

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 1, 1996

OPERATING REVENUES:	
Loan interest	\$8,725,793
OPERATING EXPENSES:	
Interest, including discount amortization	22,034,421
Personal services	634,035
Contractual services and other	382,419
Amortization of deferred debt expense	<u>660,088</u>
Total operating expenses	<u>23,710,963</u>
Operating (loss)	<u>(14,985,170)</u>
INVESTMENT INCOME	<u>12,577,935</u>
Net (loss)	<u><u>\$(2,407,235)</u></u>

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM--
LEVERAGED LOAN PROGRAM

LOANS RECEIVABLE

LOANS RECEIVABLE, June 1, 1995	\$258,059,215
Loans disbursed	53,440,102
Loan principal payments received	<u>14,024,244</u>
LOANS RECEIVABLE, June 1, 1996	<u><u>\$297,475,073</u></u>

There were no fees or charges during the period from June 2, 1995 through June 1, 1996. As of June 1, 1995, no loans receivable were in default status.

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM--
LEVERAGED LOAN PROGRAM
CHANGES IN REVENUE BONDS
FOR THE YEAR ENDED JUNE 1, 1996

REVENUE BONDS AT JUNE 1, 1995	\$301,030,000
Revenue bonds issued	<u>80,000,000</u>
REVENUE BONDS AT JUNE 1, 1996	<u><u>\$381,030,000</u></u>

EXHIBIT C
**INFORMATION REGARDING MILWAUKEE METROPOLITAN
SEWERAGE DISTRICT**

This exhibit includes information concerning the Milwaukee Metropolitan Sewerage District (“MMSD”). The MMSD Comprehensive Annual Financial Report for the year ended December 31, 1995 (the “MMSD CAFR”) is included by reference as EXHIBIT C hereof. The MMSD CAFR has been filed with each nationally recognized municipal securities information repository (“NRMSIR”) and should be consulted only with respect to MMSD.

EXHIBIT D

SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. Various words or terms used in the following summary are defined in the General Resolution and reference thereto is made for full understanding of their import. See also EXHIBIT F for definitions of certain capitalized terms.

Resolution to Constitute a Contract

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the General Resolution shall be a part of the contract of the State with the Bondowners and shall be deemed to be and shall constitute a contract among the State, the Trustee and the owners from time to time of the Bonds, and such provisions are covenants and agreements with such Bondowners which the State under the General Resolution determines to be necessary and desirable for the security and payment thereof. The provisions, covenants and agreements set forth in the General Resolution (except for those relating to funds pledged to defease any specific Bonds) to be performed by or on behalf of the State shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in the General Resolution.

Pledge

The State pledges under the General Resolution to the Trustee for the benefit of all current and future Bondowners with respect to all Bonds and any owner of a Parity Reimbursement Obligation, the Pledged Receipts, all funds and accounts established in connection with the issuance of such Bonds (but not including the Rebate Fund or the State Equity Fund), the investments thereof and the proceeds of such investments, if any, 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, subject only to the provisions of the General Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the General Resolution. Subject to the provisions of the General Resolution providing for defeasance of Bonds, the pledge shall be valid and binding from and after the date of adoption of the General Resolution, and the Pledged Receipts and all other moneys and securities in the pledged funds and accounts established by the General Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be a just lien and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

Establishment of Funds and Accounts

The following funds and accounts are established and required to be maintained pursuant to the provisions of the General Resolution:

- (1) Loan Fund
- (2) Revenue Fund
- (3) Debt Service Fund
 - (a) Interest Account

- (b) Principal Account
- (c) Redemption Account
- (d) Capitalized Interest Account
- (4) Loan Credit Reserve Fund
 - (a) SRF Account
 - (b) Non-SRF Account
- (5) Subsidy Fund
- (6) Administrative Fund
 - (a) Costs of Issuance Account
 - (b) Expense Account
- (7) State Equity Fund
- (8) Rebate Fund

Each of the above funds shall be deposited with and held by a Depository and maintained by the Trustee pursuant to the provisions of the General Resolution, except for the State Equity Fund, which shall be held and maintained by the State.

Loan Fund

There shall be deposited into the Loan Fund the amount of the proceeds of the Bonds of any Series required to be deposited therein and such other State moneys as shall be specified and determined by the Series Resolution authorizing such Series of Bonds. Moneys in the Loan Fund shall be expended only for the Clean Water Fund Program subject to the provisions and restrictions of the General Resolution. Amounts in the Loan Fund shall be expended and applied by the State from time to time as follows:

- (1) for financing Loans to Municipalities under the Clean Water Fund Program, including transfers of Loan capitalized interest to the Revenue Fund;
- (2) as directed in a certificate of an Authorized Officer, for deposit into the Revenue Fund; and
- (3) to the extent that other moneys are not available, for deposit into the Debt Service Fund.

Moneys may be withdrawn from the Loan Fund for financing a Loan upon a requisition of an Authorized Officer certifying: (i) that the aggregate amount of the requisition is equal to the sum of amounts disbursable to Municipalities pursuant to properly submitted and approved requisitions of such Municipalities; (ii) that the amount requisitioned for each Municipality does not exceed the amount available to be disbursed pursuant to that Municipality's Financial Assistance Agreement and Municipal Obligation; (iii) the identity of the Municipalities receiving disbursements from the requisition, the amount of the requisition allocable to each such Municipality, and the designation of the Municipal Obligations evidencing the applicable Loan; (iv) that there is on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement; and (v) that the Contribution Amount has been transferred or deemed transferred to the Loan Credit Reserve Fund. Prior to the initial transfer of amounts to a Municipality with respect to a Loan, the State shall deliver to the Trustee: (i) a copy of the original executed Financial Assistance Agreement evidencing the Loan to be so made, and (ii) a copy of the

original executed Municipal Obligation evidencing or securing such Loan in an aggregate principal amount equal to the maximum permissible Loan amount.

In addition, money and earnings in the Loan Fund may be transferred to the Revenue Fund, provided that the amount in the Subsidy Fund is at least equal to the Subsidy Fund Requirement.

Revenue Fund

The Trustee shall promptly deposit the following into the Revenue Fund:

- (1) Transfers of Loan capitalized interest from the Loan Fund (which shall be deemed to be Loan disbursements), as directed in a certificate of an Authorized Officer;
- (2) Other transfers of moneys from the Loan Fund;
- (3) All Loan Repayments (excluding prepayments of Loans, which shall be deposited in the Redemption Account of the Debt Service Fund) received by the Trustee; and
- (4) On the business day preceding an interest payment date, interest earned on Investment Obligations in the Loan Credit Reserve Fund (less amounts required to be transferred to the Rebate Fund).

The Revenue Fund shall be applied as follows:

- (1) First, to the Interest Account of the Debt Service Fund for the payment of interest due or to become due on the next succeeding interest payment date;
- (2) Second, to the Principal Account of the Debt Service Fund for the payment of principal and sinking fund installments, if any, on the next succeeding interest payment date; and
- (3) Third, to the Rebate Fund so that the balance in the Fund shall equal the amount required to be deposited therein.

Debt Service Fund

The Trustee shall promptly deposit the following receipts in the Debt Service Fund:

- (1) Any accrued interest received as proceeds of a Series of Bonds as set forth in the applicable Series Resolution, which shall be deposited in the Interest Account;
- (2) All amounts required to be transferred from the Revenue Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;
- (3) The Subsidy Fund Transfer Amount transferred from the Subsidy Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;
- (4) All amounts required to be transferred from the Loan Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(5) Any amounts directed by the State to be transferred from the Administrative Fund, which shall be deposited first in the Interest Account up to the amount of interest due or to become due on the next succeeding interest payment date, and then in the Principal Account up to the amount of principal or sinking fund installments due or to become due on the next succeeding interest payment date;

(6) Any amounts received by the Trustee for the purpose of redeeming Bonds, which shall be deposited in the Redemption Account; and

(7) Any portion of Bond proceeds designated by a Series Resolution as capitalized interest on the Bonds, which shall be deposited into the Capitalized Interest Account.

The Trustee shall transfer from the Capitalized Interest Account to the Interest Account on the business day preceding the interest payment date the amount required for the payment of capitalized interest on such Bonds due on such interest payment date.

The Trustee shall pay out of the Interest Account of the Debt Service Fund (i) on each interest payment date, the amount required for the payment of interest on Bonds due on such interest payment date and (ii) on any redemption date, the amount required for the payment of accrued interest on Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for.

The Trustee shall pay out of the Principal Account on each principal payment date or sinking fund redemption date, as applicable (as set forth in a Series Resolution), the amounts required for the payment of such principal on such date or such sinking fund redemption price on such date, as applicable.

The amount accumulated in the Principal Account for each sinking fund redemption may, and if so directed by the State shall, be applied (together with amounts accumulated in the Interest Account of the Debt Service Fund with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the 45th day preceding the sinking fund redemption date, or such shorter period as shall be acceptable to the Trustee, to:

(1) the purchase of Bonds of the Series and maturity of such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, such purchases to be made as the Trustee shall determine, or

(2) the redemption of such Bonds if then redeemable by their terms, at the redemption price referred to in paragraph (1) above.

Upon any such purchase or redemption of Bonds of any Series and maturity, for which sinking fund installments shall have been established, an amount equal to the applicable redemption prices thereof shall be credited toward any one or more of such sinking fund installments, as directed by the State in an Authorized Officer's certificate, or failing such direction by the 45th day preceding such sinking fund redemption date, toward such sinking fund installments in inverse order of their due dates. The portion of any such sinking fund installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such sinking fund installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such sinking fund installment for the purpose of the calculation of principal installments due on a future date.

Whenever, after all transfers provided for above have been made, the moneys in the Debt Service Fund are insufficient to pay the interest, principal and sinking fund installments due on Bonds, the Trustee shall apply amounts from the following funds to the extent necessary to cure the deficiency in the order of priority as provided below:

- (1) First, from the Loan Credit Reserve Fund;
- (2) Second, from the Subsidy Fund;
- (3) Third, from the Loan Fund, which transfers shall not be deemed to be a Loan disbursement subject to the requirements applicable to Loan disbursements; and
- (4) Fourth, from any other fund or account (except the Rebate Fund and the State Equity Fund).

As soon as practicable after the 45th day preceding the date of any sinking fund redemption, the Trustee shall proceed to call for redemption on such redemption date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such sinking fund redemption. The State may designate in an Authorized Officer's certificate the amounts, from the SRF Account and Non-SRF Account, respectively, to be applied by the Trustee for such redemption.

The Trustee shall pay out of the Redemption Account of the Debt Service Fund to Paying Agents on each redemption date (as set forth in a Series Resolution) for any such Bonds for which there has not been made sinking fund installments, the amounts required for the payment of such redemption price on the redemption date and such amounts shall be applied by the Paying Agents to such payments.

Loan Credit Reserve Fund

"Loan Credit Reserve Fund Requirement" means and is calculated as follows:

- (1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (each 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 alone will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.
- (2) 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".
- (3) 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.

Whenever the moneys in the Debt Service Fund are insufficient to pay the interest, principal and sinking fund installments due on Bonds, the Trustee shall apply amounts from the Loan Credit Reserve Fund to the extent necessary to cure the deficiency as provided in the provisions of the General Resolution concerning the Debt Service 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 may, at the direction of an Authorized Officer, subject to the conditions stated below, 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 State Equity Fund; provided, however:

(1) If there shall be existing and continuing a default by any Municipality with respect to Loan Repayments, the transfer permitted by this provision shall not be made to the extent it would cause the balance in the Loan Credit Reserve Fund to be less than the sum of the Loan Credit Reserve Fund Requirement plus the amount of Loan Repayments then in default and not otherwise provided for.

(2) Once such defaulting Municipality has cured such default and has fully resumed its payment obligations under the Financial Assistance Agreement, such surplus amounts may be withdrawn from the Loan Credit Reserve Fund.

Subsidy Fund

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 pursuant to the General Resolution. 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 the 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 interest, principal and sinking fund installments due on Bonds, the Trustee shall transfer amounts from the Subsidy Fund to the Debt Service Fund to the extent necessary to cure the deficiency.

The Trustee shall transfer any amount in the Subsidy Fund above the Subsidy Fund Requirement upon the direction of an Authorized Officer:

- (1) First, to the Loan Credit Reserve Fund to replenish the Loan Credit Reserve Fund to the then-current Loan Credit Reserve Fund Requirement; and
- (2) Second, to the State Equity Fund or for any Program purpose.

Notes

Whenever the Commission shall authorize the issuance of a Series of Bonds, the Commission is authorized to issue Notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such Notes and renewals thereof shall be payable solely from the proceeds of such Notes or renewals thereof or from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the General Resolution. Notes shall not be secured by any fund or account established under the General Resolution.

Issuance of Additional Bonds Other Than Refunding Bonds

The State shall not create or permit the creation of or issue any obligations, other than the initial Series of Bonds or Refunding Bonds, which will be secured by a charge and lien on the Pledged Receipts and any other security pledged under the General Resolution, except that additional Series of Bonds may be issued from time to time on a parity with all other Bonds issued pursuant to the General Resolution and secured by an equal charge and lien on the Pledged Receipts and any other security pledged under the General Resolution.

No additional Series of Bonds shall be issued unless:

- (1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law; and
- (2) All other requirements applicable to the issuance of Bonds are met including, without limitation, the requirement that there be in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there be in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

The State expressly reserves the right to adopt one or more other general resolutions and reserves the right to issue bonds and notes and any other obligations so long as the same are not a charge or lien on the Pledged Receipts or payable from any fund or account (except for the State Equity Fund or the Rebate Fund) established under the General Resolution.

Refunding Bonds

The General Resolution authorizes the Commission to issue one or more Series of Refunding Bonds to refund all or any part of one or more Series of outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee (in addition to the other requirements applicable to the issuance of Bonds) of:

(1) Irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds which are to be redeemed prior to maturity on the redemption date specified in such instructions;

(2) Irrevocable instructions to the Trustee to give due notice of redemption to the owners of the Bonds being refunded; and

(3) Either (i) obligations described under “Defeasance” in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, or (ii) any moneys, as shall be necessary to comply with the defeasance provisions of the General Resolution.

Payment of Bonds

The State shall duly and punctually pay or cause to be paid the principal or redemption price of and interest on the Bonds, but only from the Pledged Receipts and other revenues or receipts, funds or moneys pledged therefor as provided in the Act and the General Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all sinking fund installments becoming payable with respect to any Series of Bonds.

Power to Issue Bonds and Make Pledges

The State is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Pledged Receipts and other revenues, receipts, funds or moneys purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution. The Pledged Receipts and other revenues, receipts, funds and moneys so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the General Resolution, and all action on the part of the State to that end has been duly and validly taken. The Bonds and the provisions of the General Resolution are and will be the valid and legally enforceable obligations of the State in accordance with their terms and the terms of the General Resolution. The State shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Receipts and revenues, receipts, funds or moneys pledged under the General Resolution and all the rights of the Bondowners under the General Resolution against all claims and demands of all persons whomsoever.

Agreement of the State

The State pledges and agrees with the Bondowners that the State will not limit or alter the terms of any agreements made with Bondowners or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondowners, are fully met and discharged.

Federal Tax Covenant

The State shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excluded from the gross income of the recipients thereof.

The State shall not permit at any time any of the proceeds of the Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any Note or Bond to be an “arbitrage bond” for the purposes of Section 148 of the Internal Revenue Code of 1986, as amended.

Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the federal tax covenants contained in the General Resolution shall not apply to such Bonds.

Accounts and Reports

The State shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Loan Repayments, Municipal Obligations, the Fees and Charges, if any, and all funds and accounts established by the General Resolution.

The State shall annually, on or before January 1 in each year, file with the Trustee and with the Rating Agencies a copy of the audited financial statement for the preceding Fiscal Year with respect to the Leveraged Loan Program, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (i) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes; (ii) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Loan Repayments, Municipal Obligations, Fees and Charges, a list of Municipalities in default and the status of the funds and accounts established by the General Resolution; and (iii) a schedule of its Bond and Notes outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such 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.

Clean Water Revenue Bond Program

In order to provide sufficient moneys with which to pay the principal and interest and sinking fund installments when due and payable on its Bonds, the State shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and the Water Quality Act as then amended and as interpreted in regulations adopted by the EPA and DNR and in effect and with the provisions of the General Resolution, use and apply the proceeds of the Bonds for the Leveraged Loan Program, to finance Loans pursuant to such Act as so amended and the General Resolution, to earn sufficient interest on its funds and accounts established within the General Resolution to generate income which when combined with moneys received with respect to the Municipal Obligations shall at least equal the principal and interest and sinking fund installments on the Bonds and shall do all such acts and things necessary to receive and collect the Loan Repayments and the interest on all funds and accounts established within the General Resolution and shall diligently enforce, and take all steps, actions and proceedings for the enforcement of all terms, covenants and conditions of the Loans for the enforcement of all terms, covenants and conditions of the Loans.

Events of Default

Each of the following events constitutes an "Event of Default":

- (1) the State shall default in the payment of the principal or redemption price of any Bond when and as the same shall become due whether at maturity or upon call for redemption; or
- (2) the State shall default in the payment of any installment of interest on any Bonds;
or
- (3) the State shall fail or refuse to comply with the provisions of the Act or shall default in the performance or observance of any other of the covenants, agreements or

conditions on its part in the General Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25% in principal amount of Bonds outstanding.

Remedies

Upon the occurrence and continuance of any Event of Default specified in paragraphs (1) and (2) immediately above, the Trustee shall proceed, or upon the occurrence and continuance of any Event of Default specified in paragraph (3) immediately above, the Trustee may proceed, and upon the written request of the owners of not less than 25% in principal amount of the outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondowners, including the right to require the State to collect Loan Repayments adequate to carry out the covenants and agreements as to, and pledge of, such Loan Repayments, and other properties and to require the State to carry out any other covenant or agreement with Bondowners and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, require the State to account as if it were the trustee of any express trust for the owners of the Bonds; or

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the State for principal, redemption price, interest or otherwise, under any provision of the General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest, if any, on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgment or decree against the State for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Program Expenses

The State covenants to pay all program expenses when due and payable, but only from the sources provided in the General Resolution.

The State covenants pay to the Fiduciaries from time to time reasonable compensation for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution. The State further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its willful misconduct, negligence or bad faith.

Defeasance

If the State shall pay or cause to be paid to the owners of all Bonds then outstanding, the principal or redemption price and interest to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then, at the option of the State, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the State to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the State, execute and deliver to the State all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the State all money, securities and funds held by them pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys or securities shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in the immediately preceding paragraph. All outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the General Resolution, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price and interest on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers a notice to the owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price on said Bonds. Neither Investment Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price and interest due and to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of the defeasance provisions of the General Resolution, Investment Obligations shall mean and include direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as such investments will not adversely affect the then

current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph.

Anything in the General Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the State, be repaid by the Fiduciary to the State, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the State for the payment of such Bonds; provided, however, that before being required to make any such payment to the State, the Fiduciary shall, at the expense of the State, cause to be published at least once in Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the State.

EXHIBIT E

GENERAL INFORMATION REGARDING MUNICIPALITIES

Loans may be made to any Municipality, which is defined in the Act as any city, town, village, county, town sanitary district, public inland lake protection and lake rehabilitation district, metropolitan sewage district or federally recognized American Indian tribe or band in the State.

Prospective municipal borrowers fall into three general categories: (i) general purpose Municipalities, such as counties, cities, villages, towns and Indian tribes and bands; (ii) special purpose Municipalities, such as town sanitary districts, public inland lake protection rehabilitation districts and metropolitan sewage districts; and (iii) Intergovernmental Cooperation Commissions, which are special purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities.

General purpose Municipalities may borrow for a variety of public purposes, including the construction or improvement of wastewater facilities. Such general purpose Municipalities may incur long-term obligations in the form of general obligation debt secured by property tax levies, revenue obligations secured by user fees and special assessments, and installment lease contracts.

Special purpose Municipalities may borrow for the purpose for which they are created, primarily wastewater facilities. Debt may be incurred by special purpose Municipalities in generally the same forms as may be incurred by general purpose Municipalities. Town utility districts may be utilized by towns to allocate tax levies, but the town is the actual borrower; any general obligation issued by a town utility district is secured by the full faith and credit of the entire town.

Intergovernmental Cooperation Commissions differ from general purpose Municipalities and special purpose Municipalities in that joint utility systems do not have general taxing powers and typically depend upon their contracting members to collect revenues via user fees or tax levies from individual users of wastewater facilities. Loans in this case will be made to the individual Municipalities that the Intergovernmental Cooperation Commission is composed of.

Constitutional and Statutory Requirements

Municipal powers are derived in some instances from the State Constitution and from a variety of sources within the Wisconsin Statutes. To the extent not inconsistent with the State Constitution and State law, Municipalities may adopt and amend local laws and ordinances relating to their property, affairs or government.

In general, the State Constitution and State law limit the power of Municipalities to issue Municipal Obligations and to otherwise contract indebtedness. As a condition for making a Loan, the State will require an opinion of counsel to the effect that (subject to certain exceptions for bankruptcy, insolvency and similar laws affecting creditors' rights or remedies and equitable principles) the Financial Assistance Agreement and the Municipal Obligation evidencing the Loan constitute legal, valid and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

Limitations on Indebtedness

Generally, the aggregate general obligation debt that may be incurred by a Municipality may not exceed 5% of the equalized value of all real estate in the Municipality. Municipalities are not limited as to the amount of revenue obligations that they may incur. However, as described under "LOANS; Lending Criteria", the Act requires that a Municipality must comply with a number of

requirements, including but not limited to establishing a dedicated source of revenue for the repayment of financial assistance and developing and adopting a system of equitable user charges.

Revenues

Revenues of counties, cities, villages and towns are principally derived from property taxes, state and federal aids and fees and charges. Counties may levy a sales tax of up to a 0.5% rate. See “Collection of Real Property Taxes and Assessments” below for a discussion of real property taxes and special assessments.

Counties, cities, villages and towns receive financial assistance from the State (“State Aid”). The State is not constitutionally obligated to maintain or continue State Aid. Accordingly, no assurance can be given that present State Aid levels will be maintained in the future. The payment of State Aid by the State is subject to appropriations being made by the State Legislature. As discussed in more detail under “SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers”, DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan.

Certain Municipalities receive financial assistance from the federal government and have in the past received directly or indirectly significant federal aid for the construction of sewer and water improvements. However, other than as discussed under “CLEAN WATER FUND PROGRAM; Overview”, significant federal aid is not expected to be available to Municipalities for the purpose of repaying Loans.

A Municipal Obligation to the State may take several forms, see “LOANS; Lending Criteria”.

Collection of Real Property Taxes and Assessments

Real property taxes, special assessments and special charges are collected by the county treasurer and remitted to the proper taxing authority. Special assessments may be levied generally by a taxing authority as an assessment against property to compensate for all or part of the costs of a public work or improvement which benefits the property. The right to levy special assessments may be made under the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments are that under the taxing power, the amount of the special assessment may not exceed the benefit conferred on the property, while under the police power, the amount of the special assessment need only be determined upon a reasonable basis as determined by the governing body of the Municipality. Costs of any work or improvements that may be reflected in whole or in part by special assessments may include the direct and indirect costs thereof and the anticipated interest on a Municipal Obligation issued in anticipation of the collection of the assessments. Special assessments are collected by county treasurers along with general property taxes.

Although general property taxes may be paid in installments in the year following the levy thereof (so long as all installments are paid no later than July 31), special assessments and special charges that are included in the tax roll must be paid in full on or before January 31, and even though a person elects to pay general property taxes in installments, if any special assessment or special charge entered on the tax roll is delinquent because it is not paid by January 31, the entire annual amount of real property taxes on that parcel that is unpaid becomes delinquent as of February 1. If the county treasurer receives a payment that is not sufficient to pay all general property taxes, special assessment and special charges, the county treasurer applies the payments to the amounts due, including interest and penalties, in the following order: (i) special charges, (ii) special assessments, (iii) special taxes, and (iv) general property taxes.

The county treasurer settles with the appropriate taxation district on January 15 of each year for all payments received through the previous December 31, and on February 15 for all payments received through January 31, including all special assessments and special charges received.

Counties are authorized, but not required, to settle in full with all taxing jurisdictions for special assessments and special charges, and if so directed by the County Board, August 15 would be the date upon which the Municipality would receive the cash in settlement of unpaid special assessments and special charges.

As discussed under “SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers”, if a Municipality is in default of payment on its Municipal Obligation, the State may, pursuant to the Act, add a special charge to the amount of State taxes levied upon the county. The enforceability of such a procedure has not been tested in court. Therefore, no assurance can be given as to the enforceability of this procedure.

A Municipality issuing a general obligation to the State must levy sufficient taxes, upon the adoption of the resolution authorizing the Municipal Obligation, to pay debt service on the Municipal Obligation, which tax levy will be collected along with other real estate taxes as discussed above. A Municipality may abate such levy, however, to the extent it deposits amounts in its statutorily required debt service fund before the date it carries the levy unto the tax roll. A Municipality issuing a revenue obligation may rely entirely upon user charges to pay the Municipal Obligation or, alternately, may in addition levy special assessments upon property within the boundaries of the Municipality in an amount sufficient to pay all or part of the Municipal Obligation.

EXHIBIT F

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Official Statement.

Accreted Value means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter's discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation shall be an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); provided, however, that the calculation of Accreted Value for purposes of determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment due immediately preceding such date of calculation (unless such date of calculation shall be an interest payment date, in which case calculated as of the date of calculation).

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

Administrative Fund means the fund of that name established by the General Resolution.

Aggregate Debt Service for any period means, with respect to the Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

Authorized Newspapers means not less than two newspapers, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language, one of which is the newspaper published in Wisconsin and designated as the newspaper in which official notices of the State are to be published, and the other of which is a financial newspaper circulated in the Borough of Manhattan, City and State of New York.

Authorized Officer means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

Bond or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

Bond Depository means, initially, The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York or any other bond depository appointed by the Commission to act as bond depository for the Bonds in connection with a book-entry-only system of distributing Bonds.

Bondowners or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

Business Day means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

Capital Appreciation Bond means Bonds which provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

Capitalized Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Clean Water Fund means the nonlapsible trust fund of that name created by Section 25.43 of the Statutes.

Code means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder to the extent applicable to any Bonds, Loans or Municipal Obligations, as the case may be.

Commission means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18 of the Statutes to authorize and direct the issuance of Bonds.

Commitment means a notice of financial assistance commitment entered into between DNR, DOA and a Municipality.

Contribution Amount has the meaning set forth in the definition of “Loan Credit Reserve Fund Requirement.”

Costs of Issuance means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants’ fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes or any fees and expenses payable in connection with any entity insuring the State, the Trustee or the owners of the Bonds or Notes against loss on Loans or Municipal Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements and other costs, charges and fees in connection with the original issuance of Bonds or Notes.

Costs of Issuance Account means the account of that name established within the Administrative Fund by the General Resolution.

Counsel’s Opinion means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the State (who may be counsel to the State); provided, however, that for the purposes of Article II of the General Resolution (addressing authorization and issuance of Bonds) such term means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State and provided, further, that for the purposes of Section 8.08 of the General Resolution (addressing conditions for delivery of Municipal Obligations) such term means an opinion signed by an attorney or firm of attorneys selected by the Municipality and approved by the State.

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution or the federal government or an agency thereof which (i) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds, (ii) provides funds for the purchase of such Bonds or portions thereof, (iii) provides deposits for a fund or account under the General Resolution, or

(iv) provides for or further secures payment of Loans or Municipal Obligations, provided that with respect to (iii) above, the issuer of which Credit Facility is rated, or the effect of which Credit Facility would cause bonds insured or secured thereby to be rated, in a rating category by each Rating Agency no lower than the then current rating on the Bonds (without such Credit Facility).

Debt Service for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest payable during such period on Bonds of such Series, (ii) that portion of the Principal Installments for such Series which are payable during such period, and (iii) any “Reimbursement Obligation” or “Parity Reimbursement Obligation” as defined in the General Resolution. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Debt Service Fund means the fund of that name established by the General Resolution.

Depository means any bank, trust company or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

Direct Loan means financial assistance made from the proceeds of federal Capitalization Grants and the State Match, and excludes any Loan.

DNR means the State of Wisconsin Department of Natural Resources.

DOA means the State of Wisconsin Department of Administration.

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

EPA means the United States Environmental Protection Agency.

Expense Account means the account of that name established within the Administrative Fund established by the General Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loans or Municipal Obligations but does not include principal of and interest on such Municipal Obligations.

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

Financial Assistance Agreement means any agreement entered into between DNR, DOA and a Municipality for financial assistance.

Fiscal Year means any 12 consecutive calendar months commencing with the second day of June and ending on the first day of the following June.

General Resolution means the Clean Water Revenue Bond General Resolution adopted by the Building Commission on March 7, 1991, as the same may be amended and supplemented from time to time.

Information Services means an institution or other service providing information with respect to called bonds, which shall include but not be limited to: Financial Information, Inc.’s “Daily Called Bond Service”, 30 Montgomery Street, 20th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service”, 65 Broadway, 16th Floor, New York, New York 10006; Moody’s “Municipal and Government”, 99 Church Street,

8th Floor, New York, New York 10007, Attention: Municipal News Report; and Standard and Poor's "Called Bond Record", 25 Broadway, 3rd Floor, New York, New York 10004. In accordance with then current guidelines of the Securities and Exchange Commission or other appropriate regulatory body, the State shall designate in a certificate of an Authorized Officer delivered to the Trustee such other addresses and/or such other services providing information with respect to called bonds, or no such service.

Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Investment Obligation means any of the following which at the time are legal investments for moneys of the State:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (d) which at the time of their purchase under the General Resolution bear the highest rating available from each Rating Agency;

(3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority;

(4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual

contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided, however, that any investment purchased pursuant to this clause shall be rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(5) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, including the State, provided that at the time of their purchase under the General Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(6) direct obligations of the State or obligations guaranteed by the State that have the same rating as direct obligations of the State;

(7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under the General Resolution the highest rating available from each Rating Agency;

(8) interest-bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Fiduciary), provided such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(9) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(10) repurchase agreements for obligations of the type specified in clauses (1) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or (b) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which are marked to market daily and have a value equal to not less than the percentage of the amount thereby secured specified by each Rating Agency, taking into account the maturity of such obligations;

(11) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency;

(12) any investment agreement with a bank, bank holding company, insurance company or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(13) the Local Government Pooled-investment Fund of the State established under Chapter 25 of the Wisconsin Statutes.

Leveraged Loan means a Loan.

Loan means a Leveraged Loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act.

Loan Credit Reserve Fund means the fund of that name established by the General Resolution.

Loan Credit Reserve Fund Requirement means and is calculated as follows:

(1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (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.

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

(3) 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.

Loan Fund means the fund of that name established by the General Resolution.

Loan Repayments means any payment on a Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest and premium, if any, due on such Loan, including without limitation scheduled payments of principal and interest on such Loan or Municipal Obligation, any payment made to cure a default, prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Municipal Obligations, and any amounts paid with respect to such Loan or Municipal Obligation on account of (i) acceleration of the due date of such Loan or such Municipal Obligation, (ii) the sale or other disposition of such Loan or the Municipal Obligations and other collateral securing such Loan, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Municipal Obligations or any Credit Facility applicable to such Loan or Municipal Obligations, and (iv) the exercise of any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement upon default on such Loan or Municipal Obligations but specifically excluding Fees and Charges.

MMSD means the Milwaukee Metropolitan Sewerage District.

MMSD CAFR means the MMSD Comprehensive Annual Financial Report for the year ending December 31, 1995.

Municipal Obligations means the bonds, notes or other evidence of debt issued by any Municipality and authorized by law and which have heretofore been or will hereafter be acquired by the State as evidence of indebtedness of a Loan, Direct Loan or Proprietary Loan to the Municipality pursuant to the Act.

Municipality means a political subdivision of the State constituting a “municipality” within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a Federally recognized American Indian tribe or band in the State.

Non-SRF Account means account of that name established within the Loan Credit Reserve Fund.

Notes means any bond anticipation notes issued by the State pursuant to the Act.

NRMSIR means nationally recognized municipal securities information repository.

Outstanding, when used with reference to Bonds, other than Bonds referred to in Section 10.05 of the General Resolution (Bonds owned or held by or for the account of the State), means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (i) any bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in Trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and (iv) Bonds deemed to have been paid as provided in Article 12 of the General Resolution (defeasance). In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

Parity Reimbursement Obligation means the obligation of the State described in the General Resolution to directly reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument, which obligation shall be secured on a parity with the lien created by the General Resolution.

Paying Agent for the Bonds of any Series means the bank, trust company or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Pledged Receipts means (i) all 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 Clean Water Fund 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.

Principal Account means the account of that name established within the Debt Service Fund by the General Resolution.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (i) the principal amount or Accreted Value of Bonds of such Series due on

any payment date for which no Sinking Fund Installments have been established, or (ii) the Sinking Fund Installment due on a date for Bonds of such Series, or (iii) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such future date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

Project means any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Rating Agency means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation or otherwise.

Rebate Fund means the fund of that name established by the General Resolution.

Record Date means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day preceding a payment date or, if such day shall not be a business day, the immediately preceding business day.

Redemption Account means the account of that name established within the Debt Service Fund by the General Resolution.

Redemption Price, when used with respect to a Bond other than a Capital Appreciation Bond, or a portion thereof to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution, but, when used with respect to a Capital Appreciation Bond, “Redemption Price” means the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance to refund other Bonds.

Reimbursement Obligation means the obligation of the State described in the General Resolution to directly reimburse the issuer of a Credit Facility for amounts paid by the issuer of the Credit Facility thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Revenue Fund means the fund of that name established by the General Resolution.

Series of Bonds or Bonds of a Series or words of similar meaning means the series of Bonds authorized by a Series Resolution.

Series Resolution means a resolution of the Building Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

Sinking Fund Installment means, as of any particular date of calculation, (i) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (ii) the amount

required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

SRF Account means the account of that name established within the Loan Credit Reserve Fund by the General Resolution.

State means the State of Wisconsin.

State Equity Fund means the fund of that name established by the General Resolution.

Subsidy Fund means the fund of that name established by the General Resolution.

Subsidy Fund Requirement means 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 immediately following the dated date of the initial Series of Bonds and thereafter 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.

Subsidy Fund Transfer Amount means that amount equal to the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) exceeds the sum of (i) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (ii) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (iii) 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, (iv) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (v) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period.

Supplemental Resolution means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

Trustee means Firstar Trust Company, Milwaukee, Wisconsin, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the General Resolution.

EXHIBIT G

LOAN CREDIT RESERVE FUND SCHEDULES

Introduction

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no less than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount of the deposit or amount on deposit required by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of September 30, 1996 the amount held in the Loan Credit Reserve Fund was \$37.9 million, and the amount required on such date was \$30.7 million.

Current Schedules

The Bonds are currently rated AA+ by Fitch Investors Service, L. P. ("Fitch"), Aa2 by Moody's Investors Service, Inc. ("Moody's") and AA+ by Standard & Poor's Ratings Group ("S&P"). Each of the following Schedules has been approved by the respective Rating Agency indicated.

Moody's Investors Service, Inc.

As part of the Schedule submitted to Moody's, the State has indicated that it will maintain the Loan Credit Reserve Requirement at a level that corresponds to certain Loan portfolio credit characteristics. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Loans times a factor of 120%, and is based on an evaluation of the Loans shown on the first page of Table H-1. A different factor may be applied if Loan portfolio credit characteristics change.

Standard & Poor's Ratings Group

Based on certain credit characteristics, each Loan will be assigned one of five categories, which are explained below. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular disbursement from the Loan Fund is the product of the maximum annual debt service payment on the Loan attributable to the disbursement times the factor assigned to that particular category.

The following chart shows the current factor assigned to each of the five categories by S&P. Following the chart is an explanation of the characteristics of each category.

<u>Category</u>	<u>Factor</u>
Higher Investment Grade Rating	0%
Medium Investment Grade Rating	40
Lower Investment Grade Rating	64
Not Rated; Greater State Aids	40
Not Rated; Lesser State Aids	140

Loans are categorized based on two characteristics: (1) the rating given to the Municipal Obligation (or its lack of a rating) and (2) the anticipated amount of annual State payments that can potentially be intercepted by DOA. The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept". If the Municipal Obligation is not rated by S&P, the State may request permission from S&P to assign the Municipal Obligation to a particular category.

The anticipated amount of annual State payments that can potentially be intercepted by DOA is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality–State shared revenue.

Higher Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA;AA).

Medium Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Loan as one to which the State moral obligation applies. The State moral obligation is described under “SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Moral Obligation”.

Lower Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the minimum investment grade rating category (BBB).

Not Rated; Greater State Aids. A Loan is assigned to this category if the Municipal Obligation (i) either is not rated or is rated below investment grade and (ii) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Loan is assigned to this category if the Municipal Obligation (i) either is not rated or is rated below investment grade and (ii) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The State recognizes that the rating maintained by S&P is based in part upon the level of funds available in the Loan Credit Reserve Fund. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by S&P may be based on the maintenance of amounts greater than the amounts required under this Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same rating category as the Bonds. The State further agrees that, if practicable, it will provide S&P with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

The State agrees that if the rating on or ratability of an investment in the Loan Credit Reserve Fund is based on either a credit enhancement policy or financial guarantee that the State will notify S&P not less than 30 days prior to the expiration of such policy and to indicate what action, if any, is expected to be taken with respect to the credit quality of the investment.

Fitch Investors Service, L. P.

While the rating of Fitch is based on expected Loan Credit Reserve Fund levels, it is not conditioned on a specific Loan Credit Reserve Fund Schedule; therefore no Schedule applicable to Fitch is provided.

Ratings on Municipal Obligations

Any explanation of the significance of a rating with respect to a Municipal Obligation may only be obtained from the Rating Agency furnishing the rating. There is no assurance that the rating

given to a Municipal Obligation will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances warrant.

EXHIBIT H

LOANS AND LOAN COMMITMENTS

Table H-1 identifies, as of September 30, 1996, Municipalities that have entered into Financial Assistance Agreements and the amount of proceeds disbursed under such agreements. Table H-2 identifies Municipalities that are expected to enter into Financial Assistance Agreements and the amounts expected to be funded under such agreements. As used in these tables, “SD” refers to a sanitary district, “SC” to sewerage commission, “MSD” to a metropolitan sewerage district, “TPC” to a treatment plant commission, “RD” to a rehabilitation district, “CWC” to a clean water commission and “MD” to a management district. Rows and columns may not add to the totals shown due to rounding.

TABLE H-1
LOANS AND COMMITMENTS
SEPTEMBER 30, 1996 - \$(000 Omitted)

Municipality	Financial Assistance Loan Amounts (a)	Total Disbursed	Leveraged Loan Balance	Direct & Proprietary Loan Balance (b)	Total Balance (c)	Loan Amount Remaining to Fund (d)	Leveraged Loans Percent of 1991, 1993 & 1995 Revenue Bond Payment (e)
Milwaukee MSD (f)	232,183	216,809	110,604	73,120	183,724	15,374	23.08%
Madison MSD (f)	43,238	32,154	23,322	6,250	29,572	11,084	5.46%
Fort Atkinson	14,594	14,266	12,234		12,234	328	2.97%
Stevens Point	13,145	12,753	11,734		11,734	393	2.74%
Sussex	11,029	10,309	8,570		8,570	720	1.93%
Sparta	10,726	10,043	8,331		8,331	683	1.94%
Green Lake SD (f)	8,674	8,237	7,773		7,773	437	1.68%
Waupaca	8,799	6,975	6,360	615	6,975	1,824	1.51%
Rhineland	5,136	5,070	4,551		4,551	66	1.07%
Green Bay MSD (f)	35,262	33,453	4,535	24,765	29,300	1,809	0.94%
Stoughton	5,590	4,818	4,420	214	4,634	772	1.00%
Richland Center	4,998	4,750	4,308		4,308	248	1.04%
Bristol	4,211	3,971	3,725		3,725	240	0.88%
Merrill	4,044	4,033	3,307		3,307	11	0.77%
Black Wolf SD #1	4,327	4,065	3,230		3,230	262	0.67%
South Milwaukee	3,410	3,326	3,207		3,207	85	0.74%
Cleveland	3,610	3,148	3,148		3,148	462	0.72%
Wautoma	3,234	3,185	3,074		3,074	49	0.72%
Oshkosh	21,383	16,062	2,904	12,841	15,746	5,320	0.67%
Weyauwega	3,285	3,108	2,594		2,594	176	0.63%
Kenosha	31,513	27,840	2,529	23,149	25,678	3,673	0.60%
Racine	3,153	2,702	2,487		2,487	451	0.56%
Colby	2,837	2,555	2,461		2,461	282	0.57%
New Glarus	2,725	2,676	2,357		2,357	50	0.55%
Monticello	2,345	2,319	2,167		2,167	26	0.40%
Amery	2,431	2,164	2,164		2,164	267	0.50%
Oregon	6,785	6,027	2,151	3,876	6,027	758	0.53%
Silver Lake SD -							
Waushara	2,264	2,229	2,151		2,151	35	0.50%
Union Grove	2,192	2,149	2,071		2,071	44	0.51%
Chain O'Lakes SD #1	2,082	1,943	1,943		1,943	139	0.50%
Salem	3,584	2,848	1,888	822	2,710	736	0.44%
Mount Horeb	3,436	3,338	1,837	932	2,770	97	0.40%
Hudson (f)	2,760	2,111	1,735		1,735	649	0.38%
Lancaster	1,688	1,601	1,544		1,544	88	0.36%
Tomahawk	3,026	1,535	1,535		1,535	1,491	0.35%
Poynette	2,288	1,496	1,496		1,496	792	0.34%
Menasha SD #4 (f)	1,659	1,565	1,452		1,452	93	0.33%
Fond du Lac	2,022	1,732	1,443		1,443	291	0.33%

TABLE H-1 Continued
LOANS AND COMMITMENTS
SEPTEMBER 30, 1996 - \$(000 Omitted)

Municipality	Financial Assistance Loan Amounts (a)	Total Disbursed	Leveraged Loan Balance	Direct & Proprietary Loan Balance (b)	Total Balance (c)	Loan Amount Remaining to Fund (d)	Leveraged Loans Percent of 1991, 1993 & 1995 Revenue Bond Payment (e)
Black River Falls	1,894	1,767	1,408		1,408	127	0.30%
Saukville	1,578	1,554	1,396		1,396	24	0.33%
Valders	1,538	1,538	1,359	119	1,478		0.31%
Manawa	1,408	1,326	1,326		1,326	82	0.31%
Monroe	1,580	1,527	1,311		1,311	53	0.30%
Potosi/Tennyson SC	1,543	1,415	1,304		1,304	128	0.29%
Baraboo	1,402	1,385	1,239		1,239	18	0.27%
Columbus	1,235	1,215	1,215		1,215	20	0.28%
Viroqua	1,353	1,314	1,214		1,214	39	0.27%
Wisconsin Dells - Lake Delton SC	1,486	1,476	1,205		1,205	10	0.28%
Mount Calvary	1,430	1,266	1,205		1,205	164	0.21%
Mosinee	1,383	1,238	1,189		1,189	144	0.27%
Hewitt (f)	1,467	1,298	1,186		1,186	169	0.25%
Bay City	1,224	1,169	1,169		1,169	55	0.29%
Wolf TPC	1,274	1,274	1,079		1,079		0.25%
Wrightstown SD #1 (f)	1,081	1,036	996		996	45	0.23%
Kewaunee	1,017	1,007	968		968	10	0.22%
Galesville	1,143	1,111	954		954	32	0.22%
Silver Lake SD - Washington	1,063	1,063	911		911		0.17%
Walworth County MSD (f)	19,994	18,819	872	17,145	18,018	1,175	0.20%
Reedsville	2,768	808	808		808	1,960	0.19%
Neenah SD #2	1,057	1,057	799		799		0.14%
Mercer SD #1	787	787	763		763		0.21%
Cudahy (f)	886	839	754		754	47	0.17%
Janesville	879	797	754		754	81	0.18%
River Falls	1,009	734	734		734	275	0.17%
Plymouth	4,586	4,308	704	3,290	3,994	278	0.18%
Beaver Dam	819	798	686		686	21	0.16%
Neillsville	3,238	667	667		667	2,571	0.16%
Sunset Point SD	686	655	631		631	31	0.16%
Laona SD #1	746	746	628		628		0.14%
Hartford-Town	742	742	593		593		0.10%
Waukesha	42,072	39,968	578	34,342	34,920	2,104	0.14%
De Pere	916	853	554		554	63	0.11%
Montfort	779	553	553		553	226	0.13%
Two Rivers	733	603	552		552	130	0.13%
New Lisbon	866	614	539		539	252	0.13%
Nekoosa (f)	2,435	1,905	535	1,370	1,905	531	0.12%
Chippewa Falls	5,335	530	530		530	4,805	0.12%
Boscobel	639	590	524		524	49	0.12%
Abbotsford	722	522	522		522	201	0.12%
Iron River SD #1	717	532	513		513	184	0.12%
Almond	530	504	466		466	27	0.11%
Pulaski	483	483	444		444		0.10%
North Freedom	498	473	439		439	25	0.10%
Slinger	480	480	431		431		0.10%
Iowa County (f)	486	486	421		421		0.10%
Menomonie	5,598	415	415		415	5,183	0.11%
Goodman SD #1	463	463	415		415		0.07%
Random Lake	464	441	406		406	23	0.09%
Belmont	458	412	399		399	46	0.09%
Coleman	507	449	369		369	58	0.09%
Prairie du Chien	4,106	4,015	364	3,424	3,788	91	0.08%
Cassville	442	401	358		358	41	0.08%
New Richmond	496	356	356		356	141	0.08%
Prescott	5,349	4,816	353	4,293	4,646	533	0.08%
Trempealeau	1,559	350	350		350	1,209	0.08%
Eagle River	3,563	3,035	340	2,694	3,035	528	0.08%
Hilbert	1,955	1,850	339	1,447	1,786	104	0.08%
Wheeler	360	351	308		308	29	0.07%

TABLE H-1 Continued
LOANS AND COMMITMENTS
SEPTEMBER 30, 1996 - \$(000 Omitted)

Municipality	Financial Assistance Loan Amounts (a)	Total Disbursed	Leveraged Loan Balance	Direct & Proprietary Loan Balance (b)	Total Balance (c)	Loan Amount Remaining to Fund (d)	Leveraged Loans Percent of 1991, 1993 & 1995 Revenue Bond Payment (e)
Spring Green	950	307	307		307	643	0.07%
Lodi	4,050	296	296		296	3,754	0.07%
Hustisford	446	395	266	57	323	50	0.06%
Ellsworth	373	265	265		265	108	0.06%
Antigo	328	315	258		258	13	0.06%
Grand Chute - Menasha West SC	11,835	11,227	257	10,128	10,385	608	0.06%
Whitewater	1,564	254	254		254	1,310	0.06%
Blue River	281	270	240		240	11	0.06%
Plum City	249	249	232		232		0.05%
Osceola	298	210	210		210	88	0.05%
Sheboygan	4,376	3,357	201	3,156	3,357	1,019	0.05%
Baldwin	262	179	179		179	83	0.04%
Belleville	2,563	176	176		176	2,387	0.04%
Little Elkhart Lake Rehab District	217	217	174		174		0.03%
Webster	204	194	158		158	10	0.04%
Crandon	1,537	156	156		156	1,381	0.04%
Brokaw	197	190	152		152	7	0.03%
Black Creek	4,332	145	145		145	4,187	0.03%
Linden	165	153	137		137	12	0.03%
Royal Scot SD	510	510	134		134		0.03%
Blue Mounds	1,152	128	128		128	1,024	0.03%
Pewaukee	1,880	105	105		105	1,775	0.02%
Bowler	115	107	85		85	8	0.02%
Spring Valley	120	80	80		80	40	0.02%
Roberts	81	51	51		51	31	0.01%
SUBTOTAL	705,057	612,061	316,386	228,049	544,435	92,996	70.43%
Burlington	18,488	17,855		14,581	14,581	633	
Appleton	16,474	13,989		12,411	12,411	2,485	
Wisconsin Rapids	11,670	11,348		9,688	9,688	322	
Ashland	9,013	8,855		6,919	6,919	157	
Algoma	5,547	5,432		4,550	4,550	115	
Oconto	3,844	3,720		3,579	3,579	124	
Dyckesville SD	3,127	2,971		1,997	1,997	156	
Lannon	2,982	2,982		2,982	2,982		
Bohners Lake SD #1	2,859	2,716		2,624	2,624	143	
Lisbon SD #1	2,849	2,706		2,187	2,187	142	
Denmark	2,241	2,223		1,995	1,995	18	
Butte des Morts Consolidated SD #1	2,144	2,144		1,516	1,516		
Lomira	1,932	1,761		1,695	1,695	171	
Hartford	1,754	1,666		1,356	1,356	88	
Crivitz	1,725	1,725		1,485	1,485		
Wausaukee	1,662	1,662		1,570	1,570		
Argyle	1,467	1,380		1,137	1,137	87	
Pensaukee SD #1 (f)	1,279	324		324	324	955	
Oneida Tribe of Indians	1,210	1,210		955	955		
Hatfield SD #1	1,135	1,135		1,016	1,016		
Pleasant Springs SD #1 (f)	1,029	923		892	892	106	
Cloverleaf Lakes SD #1	1,022	833		833	833	189	
Redgranite	997	997		893	893		
Omro SD #1	992	992		992	992		
Bayshore SD	947	899				47	
Valley Ridge Clean Water Commission	749	749		617	617		
Little Suamico SD #1	728	667		612	612	60	
Onion River Sewage Commission/Adell	721	721		580	580		
Norway SD #1	680	672		369	369	8	

TABLE H-1 Continued
LOANS AND COMMITMENTS
SEPTEMBER 30, 1996 - \$(000 Omitted)

Municipality	Financial		Leveraged	Direct & Proprietary	Total	Loan Amount	Leveraged Loans
	Assistance Loan	Total					
	Amounts (a)	Disbursed	Loan Balance	Loan Balance (b)	Balance (c)	Remaining to Fund (d)	Percent of 1991, 1993 & 1995 Revenue Bond Payment (e)
North Hudson	641	620		252	252	21	
Nelson	640	301		301	301	338	
Adell	566	566		455	455		
Calumet SD #1	505	505		479	479		
Oliver	490	105		105	105	385	
Bear Creek	432	247		247	247	185	
Elk Mound (f)	419	418		336	336	1	
Gordon SD #1	395	395		332	332		
Blue Spring Lake Mgmt Dist	380	361				19	
Avoca	359	195		195	195	164	
Eastman	323	323		260	260		
Morrison SD #1	294	294		221	221		
Onion River Sewage							
Commission/Hingham	227	227		185	185		
Rockland SD #1	222	222		167	167		
Ogema SD #1	190	181		156	156	10	
Niagara (f)	181	181		144	144		
Consolidated S.D. #1							
Town of Friendship	155	155		124	124		
Green Valley SD #1	139	139		139	139		
South Wayne	138	123		103	103	16	
Wauzeka	128	64		64	64	65	
Ironton	107	107		72	72		
Boaz	106	106		85	85		
Caroline SD	83	83		67	67		
Washington (f)	60	60					
Oakdale	45	45		34	34		
Germantown SD	34	34		27	27		
Winneconne	25	24				1	
Aurora SD #1	15	15		9	9		
SUBTOTAL	108,561	101,350		84,914	84,914	7,211	
TOTAL	813,618	713,411	316,386	312,963	629,349	100,207	70.43%

TABLE H - 2
LOANS AND GRANTS EXPECTED TO BE FUNDED
(In addition to remaining loan balance in Table H-1)
As of September 30, 1996 - \$(000) Omitted

Municipality	Expected To Fund ^(a)
Allouez	\$3,527
Antigo	4,045
Brookfield	23,917
Brookfield SD #4	5,812
Fairchild	3,200
Fremont	1,756
Green Bay MSD	6,069
Highland	1,293
Kennan	298
Lake Como Beach	14,134
Menomonee Falls	932
Milwaukee MSD	22,996
Pell Lake	17,932
Pewaukee	7,625
Pewaukee SD #3	6,984
Printice	582
Racine	2,519
Sheboygan	2,750
Silver Lake SD-Waushara	2,264
South Wayne	1,143
Wautoma	3,326
Westboro SD #1	345
TOTAL FUTURE LOANS & GRANTS	\$133,448

- (a) The amounts of financial assistance depict only loans. Grants awarded in the aggregate amount of \$65,935,559 are not included.
- (b) The totals of the Direct and Proprietary Programs are \$290,362,587 and \$22,600,435, respectively.
- (c) The principal balance may be less than the total amount disbursed due to repayment of loans.
- (d) The total of loan amounts remaining to fund (Table H-1) and Future Loans and Grants equals \$233,655,000. These amounts are expected to be provided from the 1997 Series 1 Bonds, the Direct Loan Program and the Proprietary Loan Program.
- (e) Total loan repayments of outstanding Leveraged Loans (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total 1991 Series 1 Bonds, 1993 Series 1 and 2 Bonds and 1995 Series 1 Bonds (the "Bonds"), less those Bonds that are defeased. Loans with amortization periods of shorter duration than the Bonds will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consists of Subsidy Fund transfers and repayments on Loans to be originated in the future from the remaining undisbursed 1995 Series 1 Bond proceeds.
- (f) The Municipal Obligation for loans made to these communities are evidenced solely by general obligations, except with respect to City of Hudson, Village of Hewitt, and Sanitary Districts of Pensaukee, Green Lake and Wrightstown. Of the loan amounts to City of Hudson, Village of Hewitt, and Sanitary Districts of Pensaukee, Green Lake and Wrightstown, \$376,276, \$467,456, \$114,688, \$2,720,652 and \$138,500, respectively, of the outstanding Municipal Obligations are evidenced by general obligations.
- (g) These Municipalities have received a notice of financial assistance commitment, have submitted an application or are on the hardship funding list.

Note: Totals and subtotals may not add due to rounding.

EXHIBIT I
FORM OF BOND COUNSEL OPINION

Upon delivery of the 1997 Series 1 Bonds, Michael, Best & Friedrich, Madison, Wisconsin, expects to deliver to the State a legal opinion in substantially the following form:

(Letterhead of Michael, Best & Friedrich)
\$80,000,000
State of Wisconsin
Clean Water Revenue Bonds, 1997 Series 1

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (the "State") of \$80,000,000 aggregate principal amount of Clean Water Revenue Bonds, 1997 Series 1 (the "1997 Series 1 Bonds"). We have examined: (i) the constitution and laws of the State, including particularly subchapter II of Chapter 18 and Sections 281.58 and 281.59 of the Wisconsin Statutes (the "Act"); (ii) a certified copy of the proceedings of record of the State preliminary to and in connection with the issuance of the 1997 Series 1 Bonds, including particularly 1991 State of Wisconsin Building Commission Resolution 5 dated March 7, 1991 entitled "Clean Water Revenue Bond General Resolution" (the "General Resolution"), and a Series Resolution Authorizing the Issuance of \$80,000,000 State of Wisconsin Clean Water Revenue Bonds, 1997 Series 1, dated January 23, 1997 (collectively, the "Resolutions"); (iii) the Internal Revenue Code of 1986, as amended (the "Code"), including particularly Sections 103, 141 and 148 thereof; and (iv) such other documents and records as we have deemed necessary to render this opinion. We have also examined one of the 1997 Series 1 Bonds and have found it to be in proper form.

The 1997 Series 1 Bonds are dated January 15, 1997; are payable as to interest on June 1 and December 1 in each year until maturity, commencing June 1, 1997; are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof; are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the 1997 Series 1 Bonds and in the Resolutions; and mature on the dates and in the principal amounts and will bear interest at the rates set forth below:

Maturity Schedule

Year (June 1)	Principal Amount	Interest Rate	Year (June 1)	Principal Amount	Interest Rate
1999	\$2,640,000	4.500%	2009	\$4,285,000	5.125%
2000	2,760,000	4.500	2010	4,505,000	5.250
2001	2,880,000	4.500	2011	4,740,000	5.300
2002	3,010,000	4.500	2012	4,990,000	5.375
2003	3,150,000	4.600	2013	5,260,000	5.400
2004	3,290,000	4.750	2014	5,545,000	5.500
2005	3,445,000	5.250	2015	5,850,000	5.500
2006	3,625,000	6.000	2016	6,170,000	5.600
2007	3,845,000	6.000	2017	5,930,000	5.600
2008	4,080,000	5.100			

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of officers of the State and other public officials furnished to us, without undertaking to verify the same by independent investigation, we have assumed compliance with and enforcement of the provisions of: (i) the Tax Regulatory Agreement, dated the date hereof, and (ii) the Financial Assistance Agreement to be entered into between the State and each municipal borrower. The rights of the owners of the 1997 Series 1 Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The State has the valid right and lawful authority to issue the 1997 Series 1 Bonds, to provide financial assistance to local governmental units for the improvement of publicly owned wastewater treatment facilities, to adopt the Resolutions and to perform its obligations under the terms and conditions of the Resolutions.
2. The Resolutions have been duly and lawfully adopted by the Building Commission, are in full force and effect, and constitute valid and binding obligations of the State enforceable in accordance with their terms.
3. The General Resolution creates the valid pledge that it purports to create of the "Pledged Receipts," as defined in the General Resolution, and other revenues, receipts, funds or moneys pledged under the General Resolution.
4. The 1997 Series 1 Bonds are valid and binding revenue obligations of the State secured by a pledge in the manner and to the extent set forth in the General Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution on a parity with all other obligations that have been heretofore or may be hereafter issued under the General Resolution.
5. The 1997 Series 1 Bonds are not general obligations of the State, its agencies, instrumentalities or political subdivisions, and the 1997 Series 1 Bonds do not constitute "public debt" of the State as that term is used in the constitution and laws 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 Resolutions, and neither the faith nor credit nor 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.
6. The provisions of the Act relating to the State's moral obligation do not violate the constitution of the State or any law of the State, but such provisions do not constitute a legally enforceable obligation nor create debt on behalf of the State.
7. 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 under existing law.
8. Interest on the 1997 Series 1 Bonds will not be included as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations, although it should be noted that interest on the 1997 Series 1 Bonds is included in a corporation's "modified alternative minimum taxable income" for the purpose of the tax imposed pursuant to Section 59A of the Code. Interest on the 1997 Series 1 Bonds is included in a corporation's "adjusted current earnings" for the purpose of adjustments to the "alternative minimum taxable income" of a corporation (other than

an S corporation, a regulated investment company, a real estate investment trust or a REMIC) under Section 55 of the Code. Moreover, ownership of 1997 Series 1 Bonds may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry 1997 Series 1 Bonds. In addition, certain foreign corporations doing business in the United States may be subject to a “branch profits tax” on their effectively connected earnings and profits, including interest on the 1997 Series 1 Bonds.

Very truly yours,

MICHAEL, BEST & FRIEDRICH

The body of this Official Statement is contained in a separate file named OS971-A.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