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OFFICIAL STATEMENT

New Issue

In the opinion of Michael Best & Friedrich LLP, 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 1998 Series 1 Bonds is excluded for federal income tax purposes from the gross income of the owners of the 1998 Series 1 Bonds. Interest on the 1998 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.

\$90,000,000 STATE OF WISCONSIN CLEAN WATER REVENUE BONDS 1998 SERIES 1

DATED: January 15, 1998

DUE: June 1, as shown below

The \$90,000,000 State of Wisconsin Clean Water Revenue Bonds, 1998 Series 1 (the "1998 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 1998 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 1998 Series 1 Bonds purchased. Interest is payable on June 1, 1998 and semiannually thereafter on each June 1 and December 1. Principal of, interest on, and redemption price of the 1998 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 1998 Series 1 Bonds. See "**1998 SERIES 1 BONDS; Book-Entry-Only Form**".

The 1998 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 "Commission"). The proceeds of the 1998 Series 1 Bonds will principally be used to make Loans to Municipalities for the construction or improvement of their wastewater facilities and to make deposits in certain funds established under the General Resolution. The 1998 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. The State, which has issued its general obligation bonds that are currently held in the Subsidy Fund, is expected to be, based on Loan and Subsidy Fund levels of September 30, 1997, the source of 20 percent or more of the gross cash flow servicing the 1998 Series 1 Bonds and all other parity bonds. See "**SECURITY AND SOURCE OF PAYMENT FOR BONDS**".

The 1998 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 of, interest on, or redemption price of the 1998 Series 1 Bonds from any funds of the State other than those pledged pursuant to the General Resolution.

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
1999	\$2,940,000	4.00%	2009	\$4,400,000	5.00%
2000	3,045,000	4.00	2010	4,600,000	5.00
2001	3,165,000	4.00	2011	4,815,000	5.00
2002	3,285,000	4.00	2012	5,040,000	4.60
2003	3,415,000	4.25	2013	5,285,000	4.60
2004	3,555,000	4.25	2014	5,545,000	4.65
2005	3,705,000	5.00	2015	5,820,000	4.70
2006	3,865,000	5.00	2016	6,110,000	4.75
2007	4,035,000	5.00	2017	6,420,000	4.80
2008	4,210,000	5.00	2018	6,745,000	4.85

(Accrued Interest to be Added)

The 1998 Series 1 Bonds are subject to optional redemption prior to maturity, at the option of the Commission. See "**1998 SERIES 1 BONDS; Redemption Provisions**".

The rates shown above are the interest rates resulting from the bid for the 1998 Series 1 Bonds on January 22, 1998, by the successful bidder. Certain information concerning the terms of the reoffering of the 1998 Series 1 Bonds has been provided by the successful bidder. See "**OTHER INFORMATION; Reference Information About the 1998 Series 1 Bonds**".

The 1998 Series 1 Bonds are offered when, as and if issued by the State and are subject to the approval of legality by Michael Best & Friedrich LLP, Bond Counsel and other conditions specified in the Official Notice of Sale. It is expected that the 1998 Series 1 Bonds will be available for delivery in New York, New York on or about February 12, 1998.

January 22, 1998

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 1998 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.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF 1998 SERIES 1 BONDS

BUILDING COMMISSION MEMBERS

Voting Members	Term of Office Expires
Governor Tommy G. Thompson, Chairperson	January 4, 1999
Senator Fred A. Risser, Vice-Chairperson	January 8, 2001
Senator Rodney C. Moen	January 4, 1999
Senator Tim Weeden	January 4, 1999
Representative Timothy Hoven	January 4, 1999
Representative Clifford Otte	January 4, 1999
Representative Robert Turner	January 4, 1999
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Mark D. Bugher, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	_____
Mr. Wilbert King, State Chief Architect Department of Administration	_____
Building Commission Secretary	
Mr. Robert Brandherm (also serves as Administrator, Division of Facilities Development of the Department of Administration)	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 4, 1999
Mr. James E. Doyle State Attorney General	January 4, 1999
Mr. George E. Meyer, Secretary Department of Natural Resources	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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As of the date of this Official Statement, additional information about the State of Wisconsin can be found on the world wide web at:

badger.state.wi.us

SUMMARY DESCRIPTION OF 1998 SERIES 1 BONDS

*Information set forth under “SUMMARY DESCRIPTION OF 1998 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 C**.*

Description:	State of Wisconsin Clean Water Revenue Bonds, 1998 Series 1
Principal Amount:	\$90,000,000
Denominations:	\$5,000 or integral multiples thereof
Dated Date:	January 15, 1998
Interest Payment:	June 1 and December 1, commencing June 1, 1998
Maturities:	June 1, 1999-2018
Record Date:	May 15 and November 15
Form:	Book-entry-only form.
Purpose:	The 1998 Series 1 Bonds are being issued principally for the purpose of providing funds to make Loans to Municipalities for the construction or improvement of their wastewater facilities—See “ BOND PLAN OF FINANCE; Sources and Uses of Funds ”.
Authority for Issuance:	The 1998 Series 1 Bonds are issued under authority granted by Wisconsin Statutes.
Outstanding Bonds:	\$437,370,000 as of December 31, 1997
Redemption:	<i>Optional</i> —1998 Series 1 Bonds maturing on or after June 1, 2009 are subject to optional redemption on or after June 1, 2008 at a redemption price of 100% of par—See “ 1998 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 ” and “ LOANS ”
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 1998 Series 1 Bonds and secured, together with previously issued Bonds, by all sources of funds securing the 1998 Series 1 Bonds—See “ SECURITY AND SOURCE OF PAYMENT FOR BONDS ”.
Security for Bonds:	The 1998 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. The State, which has issued its general obligation bonds currently held in the subsidy fund, is expected to be, based on Loan and Subsidy Fund levels as of September 30, 1997, the source of 20 percent or more of the gross cash flow servicing the Bonds—See “ SECURITY AND SOURCE OF PAYMENT FOR BONDS ”.

OFFICIAL STATEMENT
\$90,000,000
STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS
1998 SERIES 1

This Official Statement provides certain information in connection with the issuance by the State of Wisconsin (the “State”) of its Clean Water Revenue Bonds, 1998 Series 1 (the “1998 Series 1 Bonds”) in the aggregate principal amount of \$90,000,000. The 1998 Series 1 Bonds are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended (the “Revenue Bond Act”), Sections 281.58 and 281.59 of the Wisconsin Statutes (the “Act”), and pursuant to a Clean Water Revenue Bond General Resolution (the “General Resolution”), adopted by the State of Wisconsin Building Commission (the “Commission”) on March 7, 1991, a Resolution Authorizing Up To \$110,000,000 Clean Water Revenue Bonds, adopted by the Commission on November 25, 1997, and a Series Resolution Authorizing the Issuance of \$90,000,000 State of Wisconsin Clean Water Revenue Bonds, 1998 Series 1 (the “Series Resolution”), adopted by the Commission on January 22, 1998 (collectively, the “Resolution”). The 1998 Series 1 Bonds are issued on a parity with all other bonds previously or hereafter issued pursuant to the General Resolution (collectively, the “Bonds”).

The 1998 Series 1 Bonds are issued as part of a State program (the “Clean Water Fund Program”) that makes loans to Municipalities for the construction or improvement of their wastewater facilities. The proceeds of the 1998 Series 1 Bonds will principally be used for this purpose and to make deposits in certain funds established under the General Resolution. See [“BOND PLAN OF FINANCE”](#).

The 1998 Series 1 Bonds are the sixth Series of Bonds to be issued under the General Resolution. The State has previously issued \$551,295,000 of Bonds under the General Resolution, which includes \$81,950,000 of refunding bonds. As of December 31, 1997, \$437,370,000 of Bonds were outstanding. The Legislature has authorized the issuance of \$1.298 billion of revenue bonds (other than refunding revenue bonds) for this purpose. It is expected that the State will provide additional bond authorizations in future budgets.

The Clean Water Fund Program is composed of a Leveraged Loan Portfolio, a Direct Loan Portfolio and a Proprietary Loan Portfolio. Repayments from Leveraged Loans (sometimes referred to as “Loans”), but not from Direct Loans or Proprietary Loans, are pledged to secure payment of the Bonds. See [“CLEAN WATER FUND PROGRAM; Overview”](#).

In accordance with the Act, loans will be made to Wisconsin municipalities (each a “Municipality”) pursuant to Financial Assistance Agreements (each a “Financial Assistance Agreement”). As evidence of each loan, the Municipality will be required to issue and deliver to the State a bond or note of the Municipality (the “Municipal Obligation”) obligating the Municipality to repay the loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. These Municipal Obligations may constitute (i) a revenue obligation secured by a covenant to assess user fees and a pledge of the utility’s revenues, (ii) a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility’s revenues, or (iii) a general obligation secured by a tax levy and a pledge of all available

financial resources of the Municipality. Some loans may be evidenced by more than one type of Municipal Obligation. Most loans are expected to be made at interest rates that are below market rates, as set forth in the Act.

Debt service on the 1998 Series 1 Bonds and all other parity Bonds is secured by a pledge of (i) debt service payments on Municipal Obligations, (ii) amounts in a Subsidy Fund established pursuant to the General Resolution (which amounts may be derived from maturing principal and interest on investments, including State general obligation bonds, held in the Subsidy Fund), and (iii) amounts in a Loan Credit Reserve Fund established pursuant to the General Resolution. Prior to the issuance of additional parity Bonds the State must certify that upon the delivery of such Bonds there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement. For information regarding the foregoing requirements, see “[SECURITY AND SOURCE OF PAYMENT FOR BONDS; Subsidy Fund](#)” and “[Loan Credit Reserve Fund](#)”.

There is one entity that, based on loans and subsidy levels as of September 30, 1997, is expected to be the source of 20 percent or more of the gross cash flow servicing the 1998 Series 1 Bonds and the Bonds. This entity is the State, which has issued its general obligation bonds that are held in the Subsidy Fund. Information concerning the State is included as [EXHIBIT A](#), which includes by reference Parts II and III of the [State of Wisconsin Continuing Disclosure Annual Report, dated December 26, 1997](#) (the “State Annual Report”). The State Annual Report has been filed with each nationally recognized municipal securities information repository (“NRMSIR”).

The 1998 Series 1 Bonds are special obligations of the State, payable solely from the revenues, funds, and moneys pledged therefor under the General Resolution. The State is not obligated to pay the principal of, interest on, or redemption price of the 1998 Series 1 Bonds from any other funds of the State, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of, interest on, or redemption price of the 1998 Series 1 Bonds.

In connection with the issuance and sale of the 1998 Series 1 Bonds, the Commission has authorized the State Department of Administration (“DOA”) to prepare this Official Statement, including the cover page and appendices, describing the 1998 Series 1 Bonds and presenting other relevant information for consideration by prospective purchasers. This Official Statement contains brief descriptions of the Environmental Improvement Fund, the Clean Water Fund Program, the 1998 Series 1 Bonds and certain other matters. All references herein to any document or statute, including without limitation the Resolution and the Act, are qualified in their entirety by reference to such documents or statutes, copies of which are available from the Commission.

Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have the meanings given to such terms in [EXHIBIT C](#).

1998 SERIES 1 BONDS

General

The 1998 Series 1 Bonds will bear interest at the rates and mature on the dates and in the amounts set forth on the front cover of this Official Statement.

The 1998 Series 1 Bonds will be dated January 15, 1998 and will bear interest from such date payable semiannually on June 1 and December 1 of each year, with the first interest payment to

be made on June 1, 1998. Interest on the 1998 Series 1 Bonds will be computed on the basis of 30-day months and a 360-day year. Principal and interest on each 1998 Series 1 Bond will be payable to the registered owner thereof, which initially will be Cede & Co., as the nominee of The Depository Trust Company, New York, New York (“DTC”).

The 1998 Series 1 Bonds are issuable as fully registered bonds, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof.

Book-Entry-Only Form

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities, registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond will be issued for each maturity set forth on the front cover, each in the principal amount of such maturity, and deposited with DTC.

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

Purchases of the 1998 Series 1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1998 Series 1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 1998 Series 1 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1998 Series 1 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1998 Series 1 Bonds, except in the event that use of the book-entry system for the 1998 Series 1 Bonds is discontinued.

To facilitate subsequent transfers, all 1998 Series 1 Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the 1998 Series 1 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1998 Series 1 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 1998 Series 1 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the 1998 Series 1 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1998 Series 1 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1998 Series 1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1998 Series 1 Bonds will be made to DTC by Firststar Trust Company, Milwaukee, Wisconsin ("the Trustee"). DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of the State or the Trustee or DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1998 Series 1 Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

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

No assurance can be given by the State or the Trustee that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the 1998 Series 1 Bonds. The State and the Trustee assume no liability for the failure of DTC, Direct Participants or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the 1998 Series 1 Bonds.

Similarly, no assurance can be given by the State that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

Redemption Provisions

Optional Redemption

1998 Series 1 Bonds maturing on or after June 1, 2009 shall be redeemable prior to their maturity, at the option of the Commission, from any source on June 1, 2008, or on any date

thereafter, in whole or in part in integral multiples of \$5,000. The 1998 Series 1 Bonds redeemed prior to their stated dates of maturity shall be redeemable at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. In the case of any partial redemption, the Commission shall direct the maturity or maturities of the 1998 Series 1 Bonds and the amounts thereof so to be redeemed. If the 1998 Series 1 Bonds are in book-entry-only form and less than all of a particular maturity are to be redeemed, selection of the Beneficial Owners of the 1998 Series 1 Bonds affected thereby shall be made solely by DTC and the participants in accordance with their then prevailing rules. If the 1998 Series 1 Bonds are in certificated form and less than all of a particular maturity are to be redeemed, selection shall be by lot.

Notice of Redemption

Notice of redemption of 1998 Series 1 Bonds or any portion thereof will be given by the Trustee by mailing a copy of such redemption notice by registered or first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the date fixed for redemption to the owners of the 1998 Series 1 Bonds which are to be redeemed, at their last addresses appearing on the registration books of the State held by the Trustee and to the Information Services. So long as the 1998 Series 1 Bonds are in book-entry-only form, such notice shall be sent to the securities depository.

Failure to give any required notice of redemption as to any particular 1998 Series 1 Bonds will not affect the validity of the call for redemption of any 1998 Series 1 Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the General Resolution shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Registration and Payment of 1998 Series 1 Bonds

So long as the 1998 Series 1 Bonds are in book-entry-only form, the 1998 Series 1 Bonds are payable as to principal by wire transfer to the securities depository or its nominee upon their presentation and surrender at the principal office of the Trustee, which shall be the registrar and Paying Agent on the 1998 Series 1 Bonds. Payment of each installment of interest shall be made by wire transfer to the securities depository or its nominee shown in the registration books at the close of business on the 15th day preceding such interest payment date or, if such day shall not be a business day, the immediately preceding business day (the “**Record Date**”) in next-day funds on the payment date.

When in certificated form the 1998 Series 1 Bonds shall be payable as to principal by check or draft issued upon their presentation and surrender at the principal office of the Trustee. In such case, payment of each installment of interest shall be payable by check or draft mailed to the registered owner shown in the registration books on the Record Date or, with respect to the owner of not less than \$1 million principal amount of 1998 Series 1 Bonds outstanding, by wire transfer to such account as the owner may designate.

No transfer or exchange by the Trustee of any 1998 Series 1 Bond shall be required during the 15 calendar days preceding the date of the sending or publication of notice of any proposed redemption of the 1998 Series 1 Bonds, or in the case of the proposed redemption of 1998 Series 1 Bonds, next preceding the date of the selection of the 1998 Series 1 Bonds to be redeemed. In the event that less than all of the principal amount of a maturity is redeemed, the Trustee shall issue a new 1998 Series 1 Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

BOND PLAN OF FINANCE

General

The 1998 Series 1 Bonds are being issued for the purpose of (i) providing funds to make Loans to Municipalities for the construction or improvement of their wastewater facilities, (ii) making a deposit to the Loan Credit Reserve Fund, and (iii) paying issuance costs for the 1998 Series 1 Bonds. See “**BOND PLAN OF FINANCE: Sources and Uses of Funds**”.

Based on market conditions of January 22, 1998, there are certain previously issued and outstanding Bonds that, based on criteria used by the State, are candidates for advance refunding. The Commission has authorized the issuance of up to \$140,350,000 of clean water revenue refunding bonds. The 1998 Series 1 Bonds are not refunding bonds and are issued only for the purposes outlined above.

Moneys for Leveraged Loan Portfolio

It is anticipated that \$82,712,863 of the proceeds of the 1998 Series 1 Bonds will be deposited into the Loan Fund and used to fund Loans in the Leveraged Loan Portfolio and \$7,146,975 will be deposited in the Loan Credit Reserve Fund. The Leveraged Loan Portfolio and the Loans to be segregated thereunder are more fully described in “**CLEAN WATER FUND PROGRAM; Overview; Leveraged Loan Portfolio**”, “**SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loans**” and “**LOANS**”. The State may use funds deposited in the Loan Fund to purchase existing loans from the Proprietary or Direct Loan Portfolios, but is not obligated to do so. The State is required by the Resolution, prior to disbursement from the Loan Fund, to meet the Subsidy Fund Requirement by depositing cash, Subsidy Funds, or loan assets in the appropriate funds and accounts. At the time that proceeds of the 1998 Series 1 Bonds used to fund Loans are fully disbursed, it is expected the aggregate amount of the State’s deposit will be \$22 million. The State may transfer funds from the Loan Fund to the Revenue Fund to pay a portion of Debt Service on the Bonds, provided that following such transfer the Subsidy Fund Requirement is met.

Sources and Uses of Funds

It is anticipated that the proceeds of the 1998 Series 1 Bonds, other than accrued interest, shall be applied as follows:

Sources

Principal Amount of 1998 Series 1 Bonds.....	\$90,000,000
Original Issue Premium.....	503,562
Total Sources.....	\$90,503,562

Uses

Deposit to Loan Fund.....	\$82,712,863
Deposit to Loan Credit Reserve Fund.....	7,146,975
Costs of Issuance.....	643,724
Total	\$90,503,562

ENVIRONMENTAL IMPROVEMENT FUND

The 1997-99 biennial budget created a trust fund called the Environmental Improvement Fund which replaced and expanded the previous trust fund entitled the clean water fund. The Environmental Improvement Fund provides for three separate environmental financing programs. The three programs are the Clean Water Fund Program, the Safe Drinking Water Loan Program,

and the Land Recycling Loan Program. The Clean Water Fund Program has been in existence since 1990, while the 1997-99 biennial budget created the Safe Drinking Water Loan Program and the Land Recycling Program. The Safe Drinking Water Loan Program will include the State's implementation of the federal Safe Drinking Water Act Amendments of 1996. The Land Recycling Loan Program is a municipal loan program for remediation of contaminated lands. Under current law the State is authorized to issue revenue obligations only to fund financial assistance under the Clean Water Fund Program. Proceeds from the 1998 Series 1 Bonds will be used only to provide loans under the Clean Water Fund Program. Security for Bonds issued under the General Resolution is not affected by these changes in the structure. Bondholders are advised that the State believes the General Resolution allows, if legislatively authorized, making Loans from Bonds for either or both the Safe Drinking Water Loan Program and the Land Recycling Loan Program.

CLEAN WATER FUND PROGRAM

Overview

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

Pursuant to the Act, the State has created the Clean Water Fund Program (which was subsequently placed within the Environmental Improvement Fund) for purposes of providing financial assistance to Municipalities for constructing or improving municipal wastewater facilities. Loans funded through the Federal SRF are referred to as Direct Loans and are segregated in a portfolio referred to as the Direct Loan Portfolio. The Act further represents a major commitment of the State to use State funds to assist Municipalities in improving the water quality of the State. The State has elected to supplement the funding available through the Federal SRF by using proceeds from the issuance of Bonds and its general obligation bonds in order to fund additional loans outside of the Direct Loan Portfolio. Other sources of funding, such as investment earnings or money contributed from other State sources, may be used to fund loans in any of the loan portfolios.

Direct Loan Portfolio

Loans funded through the Federal SRF are referred to as Direct Loans and are segregated in a portfolio referred to as the Direct Loan Portfolio. Federal SRF funds, when available, are deposited in a separate account within the Clean Water Fund Program. Such funds are loaned to Municipalities pursuant to terms set forth in the Financial Assistance Agreements. Loans in the Direct Loan Portfolio are required to comply with EPA eligibility and reporting requirements, as well as applicable State requirements. Payments of principal of and interest on Direct Loans are either deposited in the Federal SRF to fund additional Direct Loans or are used to pay debt service on the State general obligation bonds issued to provide the State Match. No proceeds of the

Bonds will be applied to make Direct Loans, and payments of principal of and interest on Direct Loans are not pledged as security for the Bonds.

Leveraged Loan Portfolio

Loans funded with proceeds of the Bonds are referred to as Leveraged Loans, or Loans, and are segregated in a portfolio referred to as the Leveraged Loan Portfolio. Bond proceeds, when available in the Loan Fund established by the General Resolution, are loaned to Municipalities pursuant to terms set forth in the Financial Assistance Agreements. Loans in the Leveraged Loan Portfolio must meet applicable State requirements. Payments of principal of and interest on Leveraged Loans (the “Leveraged Loan Repayments” or “Loan Repayments”) are pledged to the Trustee to secure the Bonds. The EPA Capitalization Grants, the State Match and payments of principal of and interest on loans in the Direct Loan and Proprietary Loan Portfolios are not pledged to secure the Bonds. See “**SECURITY AND SOURCE OF PAYMENT FOR BONDS**” for a further description of the Leveraged Loan Portfolio.

Proprietary Loan Portfolio

Loans funded primarily by proceeds of State general obligation bonds are referred to as Proprietary Loans and are segregated in a portfolio referred to as the Proprietary Loan Portfolio. Such funds, when available, are deposited in a separate account within the Clean Water Fund Program and are loaned or granted to Municipalities pursuant to terms set forth in the Financial Assistance Agreements. Loans in the Proprietary Loan Portfolio must meet applicable State requirements. Payments of principal of and interest on Proprietary Loans are deposited in the same account for further loans or grants under the Proprietary Loan Portfolio. No proceeds of the Bonds will be applied to make Proprietary Loans, and payments of principal of and interest on Proprietary Loans are not pledged as security for the Bonds.

Interest Subsidy

In addition to lending money to directly fund project costs, the Clean Water Fund Program is authorized to subsidize the interest cost on loans made by the State Board of Commissioners of Public Lands’ Trust Lands and Investments to municipalities for construction or improvement of their wastewater facilities. This subsidy is only available on loans of \$750,000 or less. The Clean Water Fund Program makes payments to municipalities in March of each year to reduce the municipalities’ interest cost on their loans. As of December 31, 1997 the Clean Water Fund Program has agreements with 26 municipalities to provide an annual interest subsidy. Proceeds of the Bonds are not used for this purpose.

Plan of Finance

Under a Financial Assistance Agreement, a Municipality may receive one or more of the following: a Leveraged Loan, a Direct Loan or a Proprietary Loan. A separate accounting of the loan balances in each portfolio is maintained for each project. The receipts relating to Leveraged Loan Repayments are pledged as security for the Bonds. In any situation where an applicant qualifies for a loan through the Leveraged Loan Portfolio, the Direct Loan Portfolio or the Proprietary Loan Portfolio, the State may choose whether and to what extent the loan is made through the Leveraged Loan Portfolio. The same general loan underwriting standards are applied to all loans regardless of the portfolio to which they will be assigned.

The State expects to continue to make most of the Direct Loans, Proprietary Loans and Leveraged Loans to Municipalities at interest rates that are below market rates. As a consequence, Leveraged Loan Repayments are not expected to be sufficient to pay principal of, interest on, or redemption price of the Bonds as they become due. The State has provided

additional funds, and expects to continue to provide additional funds, some of which will be used to purchase the State's general obligation bonds for deposit in the Subsidy Fund, to provide sufficient revenues to fund the difference between debt service payments due on the Bonds and revenues to be derived from Leveraged Loan Repayments. As additional security for the Bonds, the State has funded and expects to continue to fund a Loan Credit Reserve Fund that will provide funds in the event of a default on a Loan payment. For further information about the Subsidy Fund and the Loan Credit Reserve Fund, see "**SECURITY AND SOURCE OF PAYMENT FOR BONDS**".

Financial Assistance

Direct Loans, Leveraged Loans and Proprietary Loans are each made at varying interest rates determined by project type. Currently, projects are segregated into five different project-type categories. The interest rate for each project-type is determined by statute and, except for Transition Projects, is based on the Clean Water Fund Program's cost of borrowing, as determined by reference to a particular Series of Bonds. Setting interest rates by project-type is designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations.

1. Transition Projects—Projects that would have otherwise qualified for grants under prior EPA or State grant programs but were unable to receive grant funding because of unavailability of grant funds or failure to adhere to a schedule approved by DNR. The Act authorizes Transition Projects to receive loans that will bear interest at a statutorily designated rate of 2 ½% per annum.
2. Compliance Maintenance Projects—Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. These projects may receive loans that bear interest at a per annum rate equal to 55% of the Clean Water Fund Program's cost of borrowing.
3. Stormwater & Nonpoint Projects—Projects pertaining to urban stormwater and nonpoint pollution sources. These projects may receive loans that bear interest at a per annum rate equal to 65% of the Clean Water Fund Program's cost of borrowing.
4. Unsewered Projects—Projects involving unsewered areas within Municipalities. These projects may receive loans that bear interest at a per annum rate equal to 70% of the Clean Water Fund Program's cost of borrowing. More than two-thirds of the initial flow must be from wastewater originating from residences in existence before October 17, 1972 in order to qualify for this type of project.
5. Industrial, Violator, & New Growth Projects—Projects that address violations of a Department of Natural Resources ("DNR") discharge permit or that provide industrial or reserve capacity, or that involve certain other capital costs attributed to industrial or commercial needs, or involve unsewered areas where residences were not in existence before October 17, 1972. These projects may receive loans that bear interest at a per annum rate equal to 100% of the Clean Water Fund Program's cost of borrowing.

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

In a limited number of cases, the Clean Water Fund Program may provide additional financial assistance in the form of grants or loans with interest rates lower than those indicated above for qualifying projects. Under current law, the maximum amount of financial assistance that any

Municipality may receive is a grant equal to 70% of project costs and an interest-free loan for the remaining 30% of project costs. State law allows that, during each biennium, 15% of the present value of all Clean Water Fund Program subsidies may be awarded as grants or further subsidized loans. Between 1989 and September 30, 1997, \$69.6 million in project costs have been funded with such grants and further subsidized loans.

The majority of Loans made from proceeds of previously issued Bonds were for Transition and Compliance Maintenance Projects. The State expects that the majority of Loans made from proceeds of the 1998 Series 1 Bonds will be for Compliance Maintenance Projects.

Funding Levels

For the period from the commencement of the Clean Water Fund Program through June 30, 1999, the State has identified \$1.335 billion of projects likely to receive funding. The Legislature has authorized \$1.298 billion of revenue bonds (other than revenue bonds issued for refunding purposes) and \$552.7 million of general obligations for the Clean Water Fund Program through fiscal year 1999. As of September 30, 1997, the State had made Leveraged, Direct and Proprietary Loans totaling \$959.6 million (of which \$844.3 million had been disbursed). Of the amounts disbursed, \$426.6 million were for Leveraged Loans. The amount remaining to be disbursed, \$115.3 million, will be disbursed from either the Leveraged Loan, Direct Loan, or Proprietary Loan Portfolios.

Management of Clean Water Fund Program

Management responsibilities for the Clean Water Fund Program are shared between two State agencies. DNR is responsible for the environmental and programmatic management of the Clean Water Fund Program. DOA is responsible for the financial management of the Clean Water Fund Program. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that detail their respective roles.

The Act gives DNR certain statutory responsibilities with respect to the Clean Water Fund Program. Under the Act, DNR has primary responsibility for dealing with EPA in connection with the Clean Water Fund Program. DNR additionally has substantial responsibility under the Act for developing and administering the Clean Water Fund Program. Responsibilities of DNR include: providing Municipalities with information on the Clean Water Fund Program; preparing the biennial needs lists of wastewater projects that DNR expects to commit to finance; preparing and managing environmental priority lists ranking projects in accordance with specified criteria. Other responsibilities of DNR include providing technical assistance on the environmental aspects of projects to communities; reviewing and approving projects for eligibility for financial assistance; and reviewing facility plans, design and engineering to ensure compliance with federal requirements and State laws and regulations.

Under the Act, DOA is responsible for the financial management of the Clean Water Fund Program. DOA is also responsible for managing the investments of the Environmental Improvement Fund and Clean Water Fund Program, including the portfolios of loans to Municipalities.

DOA, in cooperation with DNR, provides the funds to finance eligible projects under the Clean Water Fund Program. Joint responsibilities between DNR and DOA include issuing Notices of Financial Assistance Commitment (“Commitments”) and entering into Financial Assistance Agreements with Municipalities to finance eligible wastewater projects. DOA and DNR also jointly prepare biennial finance plans, which include, without limitation, the estimated wastewater facility needs of municipalities in the State, the amount of financial assistance projected to be

provided, the sources of the funding projected to be provided, and the estimated present value of subsidies for all Clean Water Fund Program financial assistance expected to be provided.

Capitalization Grants

The federal government has authorized appropriations for Capitalization Grants for federal fiscal years 1989 through 1997. As of September 30, 1997, the State has been awarded Capitalization Grants from EPA aggregating \$349.0 million for federal fiscal years 1989 through 1997. The amount of federal funding available in the future may affect the amount of Leveraged Loans, Direct Loans or Proprietary Loans to be made by the Clean Water Fund Program and the amount of Bonds to be issued by the State. As of September 30, 1997, the State had issued \$67.8 million in general obligation bonds for the State Match with respect to the Capitalization Grants received as of such date.

Reauthorization of the Water Quality Act of 1987 was taken up by Congress during 1995 and 1996, but no bill passed as of September 30, 1997. Budget appropriations for federal fiscal year 1997 for the SRF Program are set at \$1.3 billion, which should result in receipt of approximately \$36.4 million by the State.

Operating Agreement with EPA

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

Additional Information

Additional information concerning the Clean Water Fund Program is included as **EXHIBIT B**, which includes by reference Part VI of the State Annual Report.

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Revenue Obligations

The 1998 Series 1 Bonds are issued on a parity with all other Bonds previously issued or to be issued from time to time under the General Resolution. The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds and moneys pledged therefor under the General Resolution. The State is not obligated to pay the principal of, interest on, or redemption price of the Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged to the payment of the principal of, interest on, or redemption price of the Bonds. The 1998 Series 1 Bonds are offered on the basis of the Clean Water Fund Program requirements established under the General Resolution, including the Subsidy Fund Requirement and the Loan Credit Reserve Fund Requirement.

Pledge of Revenues

Pursuant to the General Resolution, the State has pledged to the Trustee for the benefit of the Bondowners and any owner of a Parity Reimbursement Obligation for the payment of the principal of, interest on, and redemption price of the Bonds in accordance with the terms and provisions of the General Resolution and the payment of any Parity Reimbursement Obligation: (a) all Pledged Receipts, which are defined in the General Resolution as follows: (i) all

Leveraged Loan Repayments, including both timely and delinquent payments; (ii) Fees and Charges held or collected by the State; (iii) any moneys received by the State under Section 281.59 (11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA and taxes collected by county treasurers) upon a default under a Municipal Obligation; (iv) any moneys made available to the Leveraged Loan Portfolio pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State “moral obligation” for individual Loans); (v) any moneys collected by recourse to collateral and security devices under the Municipal Obligations; and (vi) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations; and (b) all funds and accounts established in connection with the issuance of the Bonds including the Loan Fund, the Subsidy Fund and the Loan Credit Reserve Fund (but not including the Rebate Fund or the State Equity Fund). For a detailed description of the various funds, accounts and revenues securing the Bonds, see “[SUMMARY OF CERTAIN PROVISIONS OF GENERAL RESOLUTION](#)” in Part VI the State Annual Report. For further discussion of State payments to Municipalities intercepted by DOA, the taxes collected by county treasurers and the State “moral obligation” on individual Loans, see “[SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers](#)”.

Loans

The proceeds of Bonds and other amounts deposited into the Loan Fund are used for the purpose of making Leveraged Loans, or Loans, to Municipalities. Each Loan must meet the criteria described under “[LOANS; Lending Criteria](#)” and must be evidenced by a Municipal Obligation. As of September 30, 1997, \$425.6 million of Bond proceeds have been disbursed for Loans and \$367.2 million is the principal balance of these Loans. In addition, \$33.3 million remain in the Loan Fund.

[Table E-1](#) in [EXHIBIT E](#) identifies the Municipalities that have entered into Financial Assistance Agreements under the Clean Water Fund Program, the amount that has been disbursed to each Municipality as of September 30, 1997, and the amount that remains to be disbursed pursuant to its Financial Assistance Agreement. [Table E-1](#) also provides information as to the principal balance outstanding under the Financial Assistance Agreement for each Municipality that has received a Leveraged Loan from Bond proceeds. [Table E-1](#) presents the Municipalities in order of the amount of their Leveraged Loans outstanding as of September 30, 1997. Municipalities which do not have Leveraged Loans are listed at the end of [Table E-1](#). This order will change as Leveraged Loans are disbursed and new Leveraged Loans are originated or as loans are transferred into the Leveraged Loan Portfolio, or as Loans are transferred out of the Leveraged Loan Portfolio. [Table E-1](#) also provides information as to each Municipality’s total debt service (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) as a percentage of the total debt service on the previously issued and Outstanding Bonds. These percentages will vary after the disbursement of 1998 Series 1 Bond proceeds and any remaining proceeds of the Clean Water Revenue Bonds, 1997 Series 1.

[Table E-2](#) in [EXHIBIT E](#) presents a list of Municipalities that have not entered into a Financial Assistance Agreement, but are expected to receive loans or grants, either for the first time or for additional projects, in the near future, and the amount of their expected financial assistance. The proceeds of the 1998 Series 1 Bonds are expected to be used to fund Loans to some or all of the Municipalities listed in [Tables E-1](#) and [E-2](#). Leveraged Loans may be made, however, in amounts and to Municipalities which differ from those presented in [EXHIBIT E](#). Moreover, in any situation where an applicant qualifies for a loan, the State may choose whether and to what extent the Loan is made and allocated to the Leveraged Loan Portfolio, and under certain circumstances the State may transfer a loan from one portfolio into another. Based on the amount of loans and grants

expected to be funded, and the amounts of other funds to be made available, the State believes that moneys deposited in the Loan Fund will be fully disbursed. The failure, however, to originate Loans or to disburse funds for Loans that have been originated could adversely affect the ability of the Clean Water Fund Program to make payments of the principal of, interest on, and redemption price of the Bonds.

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

The Milwaukee Metropolitan Sewerage District ("MMSD") is currently the largest borrower in the Leveraged Loan Portfolio with \$106.3 million in principal amount of loans outstanding as of September 30, 1997. Other Municipalities had Leveraged Loans in outstanding principal amounts ranging from \$28.4 thousand to \$32.5 million as of the same date. For a discussion regarding the information that is available on the Municipalities, see "**SECURITY AND SOURCE OF PAYMENT FOR BONDS; Additional Information**".

Possible MMSD Management Contract

MMSD has approved an agreement with United Water Services Milwaukee L.L.C. for the operation of MMSD's two wastewater treatment plants, biosolids management and field operations. The State does not anticipate that such an arrangement will affect the security or the tax-exempt status of Municipal Obligations issued by MMSD, which are also general obligations of MMSD.

Subsidy Fund

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

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

pursuant to clause (ii) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

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

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

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

As of September 30, 1997, the Subsidy Fund held \$86.6 million, which were invested in general obligations issued by the State. This amount equaled the amount required as of that date.

Loan Credit Reserve Fund

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

- (a) Upon the issuance of the first Series of Bonds or disbursements of funds for Loans from the Loan Fund, an Authorized Officer delivered to the Trustee a schedule of credit quality categories and loan credit reserve fund requirements for each Rating Agency (a "Schedule") approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency. For a description of the Schedules currently in effect, see EXHIBIT D.

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

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

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

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

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

As of September 30, 1997, the Loan Credit Reserve Fund balance was nearly \$44.8 million. This amount exceeded the Loan Credit Reserve Fund Requirement as of that date, which was \$36.4 million.

As of September 30, 1997, the Loan Credit Reserve Fund was invested as follows: (a) \$24 million were invested in an investment agreement with AIG Matched Funding Corp. (“AIGMFC”) with the payment obligations of AIGMFC guaranteed by American International Group, Inc., which policy does not guarantee or otherwise provide for payment of amounts due in the event of non-payment by the State; (b) \$6.3 million were invested in an investment agreement with MBIA Investment Management Corp. (“IMC”) with the payment obligations of IMC guaranteed by the MBIA Insurance Corporation, which policy does not guarantee or otherwise provide for payment

of amounts due in the event of non-payment by the State; (c) \$7.6 million were invested in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale (“Bayerische”), with the collateral held by Norwest Bank Minnesota, National Association as custodian; and (d) \$6.9 million were invested in direct obligations of the United States under a forward delivery agreement with First Union National Bank of North Carolina (“First Union”). The investment agreement with AIGMFC, the investment agreement with IMC, the investment repurchase agreement with Bayerische and the forward delivery agreement with First Union each provide for liquidation of the investments if and when required by the terms of the General Resolution.

If one or more Municipalities fail to make their Leveraged Loan Repayments, and the amount of the delinquent payments is in excess of the amount available from the Loan Credit Reserve Fund, this may adversely affect the ability of the Clean Water Fund Program to make timely payments of the principal of, interest on, or redemption price of the Bonds.

Statutory Powers

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

State Aid Intercept

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

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a loan, to add the amount due on the loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer is required to apportion the amount of such special charges to “any town, city or village,” and the special charges are then collected with the annual property tax. The word “town” in a statute may be construed as including cities, villages, wards and districts, although metropolitan sewerage districts and town sanitary districts are not specifically mentioned. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure.

State Moral Obligation

At the time a loan is made, the Commission may by resolution designate the loan as one to which the State “moral obligation” applies. If such “moral obligation” applies, the Act provides that, if

at any time the payments received or expected to be received from a Municipality on any loan are insufficient to pay when due the principal of and interest on such loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor and the Joint Committee on Finance. Thereupon the Joint Committee on Finance is required to introduce a bill appropriating the amount so requested for the purpose of payment of the Municipal Obligation secured thereby. Recognizing its “moral obligation” to do so, the Legislature has expressed its expectation and aspiration that, if ever called upon to do so, it would make the appropriation. The “moral obligation” applies to individual loans and not to the Bonds. In addition, the loans to which a “moral obligation” applies must be specifically designated by the Commission at the time the loan is made. No loan currently financed or expected to be financed from proceeds of the 1998 Series 1 Bonds or of other Bonds previously issued is expected to be designated as a “moral obligation” Loan. In the opinion of Bond Counsel, the provisions of the Act relating to the State’s “moral obligation” do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State.

State Financial Participation

The State has funded and intends to continue to fund all or a substantial portion of the Subsidy Fund through the issuance of State general obligation bonds. Such State general obligation bonds will be sold to the Clean Water Fund Program for deposit in the Subsidy Fund as and when required to meet the Subsidy Fund Requirement. The State general obligation bonds are issued such that the principal and interest will be due and payable on such bonds at the times and in the amounts as are required to satisfy the Subsidy Fund Requirement. The State has authorized the issuance of additional general obligation bonds in an amount expected to exceed the Subsidy Fund Requirement necessary to disburse all proceeds of the 1998 Series 1 Bonds and the undisbursed proceeds of previously issued Bonds. However, failure of the State to fund the Subsidy Fund at the Subsidy Fund Requirement will preclude the disbursement of Bond proceeds from the Loan Fund (except to pay interest on the Bonds) and preclude the issuance of additional Bonds. Such a failure could adversely affect the ability of the Clean Water Fund Program to make timely payments of the principal of, interest on, or redemption price of the Bonds.

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

Additional Information

There is one entity that, as of September 30, 1997, is expected to be the source of 20 percent or more of the gross cash flow servicing the Bonds. This entity is the State, which has issued its general obligation bonds that are currently held in the Subsidy Fund, which is expected to provide approximately 23 percent of the gross cash flow servicing the Bonds.

The ability of this entity to make timely payments on its obligations is an important consideration in evaluating the security of the Bonds. Information about the State, including its financial statements, is included in **EXHIBIT A**. This exhibit includes by reference Parts II and III of the State Annual Report. The State Annual Report has been filed with each NRMSIR.

Information about Municipalities, other than the amounts of their loans and annual repayments, is not made part of this Official Statement. The 1998 Series 1 Bonds are offered on the basis of the Clean Water Fund Program requirements established under the General Resolution. However, financial statements are required to be provided to the Clean Water Fund Program by any Municipality which has received a Direct Loan, Proprietary Loan or Leveraged Loan.

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

Additional Bonds

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

Any additional Bonds issued under the General Resolution will be on a parity with the 1998 Series 1 Bonds, and other Bonds previously issued, and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the State set forth in the General Resolution (except for funds pledged to defease any specific Bonds).

Disposition of Loans

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

The State may sell, assign, transfer or otherwise dispose of any loan and the Municipal Obligation evidencing such loan (but not free and clear of the General Resolution), at such price as the Commission shall determine provided that prior to such sale, assignment, transfer or disposition the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such sale, assignment, transfer or disposition and the deposit of the proceeds thereof in the applicable account, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and there will be on deposit in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

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

The State may consent to prepayment of any Loan and the Municipal Obligation evidencing such Loan provided that, prior to such prepayment, the State files with the Trustee a certificate of an Authorized Officer to the effect that, immediately following such prepayment and deposit of the

proceeds thereof to the applicable fund or account, the Subsidy Fund Requirement has not been increased.

MUNICIPALITIES

Pursuant to the Act, the Clean Water Fund Program is authorized to provide financial assistance in the form of loans to any Municipality. A Municipality may be any city, town, village, county, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district or federally recognized American Indian tribe or band in the State. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary.

Set forth in **EXHIBIT E** is a list of Municipalities to which the State has made Loans with proceeds of previously issued Bonds and a list of Municipalities for which the State has not made Loans but that are expected to receive a loan or grant, either for the first time or for additional projects, in the near future. It is the intention of the State to finance wastewater projects with additional Municipalities, subject to the biennial finance plan and compliance of the Municipalities with the State's lending criteria. For further information regarding the State's lending criteria, see "**LOANS; Lending Criteria**".

See "**MUNICIPALITIES**" in **Part VI of the State Annual Report** for additional information concerning municipalities, their constitutional and statutory requirements, limitations on indebtedness, revenues, and collection of real property taxes and assessments.

LOANS

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Each Municipality must be one of the types of governments specified by the Act. The Act further requires that the Municipality comply with a number of other requirements, including, but not limited to, establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges. While the Act permits financial assistance to take forms other than loans, such as guaranteeing or purchasing insurance for Municipal Obligations, awarding grants to certain hardship Municipalities, or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program primarily by making loans to Municipalities at interest rates which are at or below market rates as specified in the Act. For a summary of permissible interest rates, see "**CLEAN WATER FUND PROGRAM; Financial Assistance**". Although the requirements set forth in the Act and the application process developed by DOA and DNR apply to all loans made under the Clean Water Fund Program, only repayments from Leveraged Loans are pledged to secure the Bonds, and hence the following discussion focuses on Loans.

DNR is responsible for establishing eligibility criteria for determining which applicants and which projects are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is eligible for financial assistance from the Clean Water Fund Program for a wastewater project that corrects a DNR discharge violation.

Loan Application Process

DOA and DNR have developed an application form for Municipalities to apply for financial assistance from the Clean Water Fund Program. The application form requires the Municipality

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

Lending Criteria

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

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

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

Revenue Obligations

Background

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

Revenue Pledge Policy

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

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate "net revenues" each year, that is utility revenues after deducting operating and maintenance expenses (but not deducting depreciation, debt service, tax equivalents, and capital expenditures), equal to at least 110% of the annual principal of and interest on the Loan and other obligations on a parity with or senior to the Loan ("110% Coverage"). The "net revenues" may be established by the "net revenues" from the existing utility revenues or projected "net revenues" from a newly

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

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

Collection of Delinquent Sewer User Charges

The Clean Water Fund Program loan documents require that the Municipality take all actions permitted by law to certify any delinquent user fees to the County Treasurer in order that such unpaid user fees will be added as a special charge to the property tax bill of the user.

Senior Revenue Bonds

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

Service Contract

DOA will also require the Municipality to agree to pay for the value of sewerage services provided to it and to stipulate that the value equals any unpaid debt service on the Loan or debt coverage short fall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no assurance can be given as to the enforceability of such a service contract. Moreover, the value of the sewerage service may be limited by law and, unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment. In addition, a levy limit applicable to counties may diminish the ability of a county to levy taxes for this purpose.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and often pledge a mortgage to secure the revenue obligations, the current policy of

DOA does not permit a debt service reserve fund to be established and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater facilities.

Special Assessment-Secured Revenue Obligations

Background

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

Collection of Delinquent Special Assessments

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

General Obligations

Background

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

Tax Levy

With respect to general obligations:

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

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

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

Intergovernmental Cooperation Commissions

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

Loan Terms

Loan Size

The size of each Loan is determined as follows:

- (1) The principal amount of the Loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the Loan.
- (2) A contingency may be allowed only if the project has not been completed.
- (3) For a general obligation, capitalized interest may be permitted in an amount equal to debt service payments that are due before the tax levied in support of debt service payments will be collected.
- (4) For a revenue obligation including those with a special assessment pledge, capitalized interest may be permitted to cover Loan debt service payments that will accrue until the expected date of project completion.

Final Maturity and Amortization

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

Debt Service Payment Dates

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

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if there is an event of default. These provisions permit the State to intercept any State aids to the Municipality, appoint a receiver to manage the Municipality's utility operations, and require the Municipality, to the extent it has taxing power, to add delinquent user charges to the tax bill of the respective property.

Levy Limit for Counties

Counties are subject to a tax rate limit. The tax levy of each county is limited, generally to the rate at which taxes were levied in 1992 or a higher rate approved by the voters at referendum. The tax rate limit excludes taxes levied for debt service on general obligations approved by the voters at a referendum or by a three-quarters vote of the county board of supervisors. Further, the tax rate limit excludes taxes levied for debt service on general obligations issued or authorized before the effective date of the legislation. As of September 30, 1997, only a small principal

amount (\$401,059) is outstanding from the one Loan previously made to a county, and no significant amount of additional Loans to counties are anticipated.

Commitments

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

Financial Assistance Agreements

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

Certain Provisions of Financial Assistance Agreements

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

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

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

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

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

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, each Municipality is required to issue and deliver to the State a Municipal Obligation evidencing the obligation of the Municipality to repay the Loan. The Municipal Obligation will reflect the terms of the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of a Municipal Obligation, a

Municipality will be required to deliver an opinion of counsel as more fully described under “**OTHER MATTERS; Certain Legal Matters**”.

TAX MATTERS

Certain Requirements of Code

The Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements which must be met subsequent to the issuance and delivery of the 1998 Series 1 Bonds in order that the interest on the 1998 Series 1 Bonds be and remain excluded from gross income pursuant to Section 103 of the Code. Noncompliance could cause interest on the 1998 Series 1 Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Tax Regulatory Agreement entered into by the State describes the application to be made of certain funds held under the General Resolution and sets forth certain representations, statements of intention, conditions and covenants relating to the use of proceeds of the 1998 Series 1 Bonds necessary for, or related to, compliance with the requirements of Section 103 and related provisions of the Code including the arbitrage limitations imposed with respect to the investment of 1998 Series 1 Bond proceeds pursuant to Section 148 of the Code. The State agrees generally that it will take such actions as may be necessary and within its reasonable control to ensure that the 1998 Series 1 Bonds will continue to be obligations described in Section 103(a) of the Code. The Financial Assistance Agreement for each Loan contains a provision that the Municipality will not take any action within its reasonable control which will result in (or fail to take any action within its reasonable control that will prevent) the loss of the exclusion of interest on the 1998 Series 1 Bonds from gross income for federal income tax purposes.

Opinion of Bond Counsel

Federal Taxes

In the opinion of Michael Best & Friedrich LLP, Bond Counsel, whose approving opinion is substantially in the form shown in EXHIBIT F, under existing statutes and court decisions, interest on the 1998 Series 1 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations. As summarized in “**TAX MATTERS; Certain Additional Federal Tax Consequences**”, such interest, however, is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax, the environmental tax and the foreign branch profits tax.

Basis of Federal Income Tax Opinion

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

Certain Additional Federal Tax Consequences

General

The following is a discussion of certain federal income tax matters under existing statutes. It is for general information only and does not purport to deal with all aspects of federal taxation that may be relevant to particular owners of the 1998 Series 1 Bonds. Prospective investors, particularly those who may be subject to special tax rules, are advised to consult their own tax

advisors regarding the federal tax consequences of owning and disposing of the 1998 Series 1 Bonds, as well as any tax consequences arising under the laws of any foreign state or other taxing jurisdiction.

Alternative Minimum Tax

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the 1998 Series 1 Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of certain corporations not otherwise included in the alternative minimum tax base will be included for purposes of calculating alternative minimum taxable income. The adjusted current earnings of a corporation will include the amount of any income received that is otherwise exempt from taxes.

Environmental Tax

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (alternative minimum taxable income with certain modifications) over \$2 million, which would include interest on the 1998 Series 1 Bonds. Under current Code provisions, the environmental tax does not apply to tax years beginning on or after January 1, 1996. However, such tax could be applied retroactively.

Social Security and Railroad Retirement Payments

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

Branch Profits Tax

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

Borrowed Funds

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

Financial Institutions

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct their cost of carrying certain obligations (other than certain "qualified" obligations), effective for obligations acquired after August 7, 1986. The 1998 Series 1 Bonds are not "qualified" obligations for this purpose.

Property and Casualty Companies

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

S Corporations

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

Original Issue Discount

The 1998 Series 1 Bonds maturing on June 1, 2012 to June 1, 2018 (the “Discount Bonds”) are being sold subject to original issue discount. The original issue discount is the excess of the stated redemption price at maturity of the Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond who acquires the Discount Bond in this offering during any accrual period generally equals (i) the issue price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on the Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in the Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of the Discount Bond.

Original Issue Premium

The 1998 Series 1 Bonds maturing on June 1, 1999 to June 1, 2011 (the “Premium Bonds”) are being sold at an amount in excess of the amount payable on maturity. Such excess constitutes bond premium under Section 171 of the Code. Under Section 171 of the Code, amortizable bond premium on a Premium Bond is determined on a constant yield basis (except to the extent regulations may provide otherwise) over the term of the Premium Bond. No deduction from the income of an owner of a Premium Bond is allowed with respect to the amount of amortizable bond premium. The basis of each Premium Bond will be reduced by the amount of amortizable bond premium for a taxable year required to be taken into account by an owner.

OTHER MATTERS

Absence of Litigation

Upon delivery of the 1998 Series 1 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 1998 Series 1 Bonds, to the effect that there is no controversy or litigation of any nature pending or, to the best of the State’s knowledge, threatened, to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the 1998 Series 1 Bonds, or in any way contesting or affecting the validity or enforceability of the 1998 Series 1 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the 1998 Series 1 Bonds. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged Receipts or other revenues, receipts, funds or moneys pledged for the payment of the 1998 Series 1 Bonds which has not been disclosed in this Official Statement.

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

Legal Investment

The 1998 Series 1 Bonds are legal investments for all banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies and other persons or entities carrying on a banking business in the State; for all executors, administrators, guardians, trustees and other fiduciaries in the State; for the State and all public officers, municipal corporations, political subdivisions and public bodies in the State.

Underwriting

The 1998 Series 1 Bonds were purchased at competitive bidding on January 22, 1998 by the following account (the "Underwriters"):

Goldman, Sachs & Co., book-running manager; Piper Jaffray, Inc.; Craigie Incorporated; Fleet Securities; Hanifen Imhoff, Inc. and Prager, McCarthy & Sealy.

The Underwriters paid \$90,503,561.60, resulting in a true interest cost rate to the State of 4.6931%.

Reference Information About the 1998 Series 1 Bonds

The following information about the 1998 Series 1 Bonds is provided for reference. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and prices have been provided by the Underwriters in order to allow the computation of yield for federal tax law compliance. The price has been calculated to the lower of yield to maturity or yield to call, except as indicated below.

\$90,000,000
State of Wisconsin
Clean Water Revenue Bonds, 1998 Series 1

Dated Date: January 15, 1998
First Interest Date: June 1, 1998
Issuance Date: February 12, 1998

CUSIP	Year (June 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price	Yield at Issuance	Price at Issuance
977092 DU6	1999	\$2,940,000	4.00%	Not Callable	-	3.65%	100.437%
977092 DV4	2000	3,045,000	4.00	Not Callable	-	3.75	100.542
977092 DW2	2001	3,165,000	4.00	Not Callable	-	3.85	100.456
977092 DX0	2002	3,285,000	4.00	Not Callable	-	3.95	100.191
977092 DY8	2003	3,415,000	4.25	Not Callable	-	4.05	100.940
977092 DZ5	2004	3,555,000	4.25	Not Callable	-	4.15	100.544
977092 EA9	2005	3,705,000	5.00	Not Callable	-	4.20	104.980
977092 EB7	2006	3,865,000	5.00	Not Callable	-	4.25	105.194
977092 EC5	2007	4,035,000	5.00	Not Callable	-	4.30	105.314
977092 ED3	2008	4,210,000	5.00	Not Callable	-	4.35	105.344
977092 EE1	2009	4,400,000	5.00	6/1/2008	100%	4.40	104.921*
977092 EF8	2010	4,600,000	5.00	6/1/2008	100	4.50	104.079*
977092 EG6	2011	4,815,000	5.00	6/1/2008	100	4.60	103.246*
977092 EH4	2012	5,040,000	4.60	6/1/2008	100	4.70	98.960
977092 EJ0	2013	5,285,000	4.60	6/1/2008	100	4.75	98.375
977092 EK7	2014	5,545,000	4.65	6/1/2008	100	4.80	98.310
977092 EL5	2015	5,820,000	4.70	6/1/2008	100	4.85	98.250
977092 EM3	2016	6,110,000	4.75	6/1/2008	100	4.90	98.194
977092 EN1	2017	6,420,000	4.80	6/1/2008	100	4.95	98.141
977092 EP6	2018	6,745,000	4.85	6/1/2008	100	4.98	98.344

* These bonds are priced to the June 1, 2008 call date.

Financial Advisor

First Albany Corporation is employed by the State to perform professional services in the capacity of financial advisor. In its role as financial advisor to the State, it has provided advice on the plan of financing and structure of the 1998 Series 1 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters.

Ratings

The 1998 Series 1 Bonds have been rated AA+ by Fitch IBCA, Inc., Aa2 by Moody's Investors Service, Inc. and AA+ by Standard & Poor's Ratings Group. Any explanation of the significance of a rating may only be obtained from the rating service furnishing such rating. There is no assurance a rating given to the 1998 Series 1 Bonds will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the rating service if in its judgment circumstances so warrant. Any such downgrade or withdrawal of such rating may have an adverse effect on the market price of the 1998 Series 1 Bonds.

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the 1998 Series 1 Bonds are subject to the approval of Michael Best & Friedrich LLP, Bond Counsel, whose approving opinion, substantially in the form shown in **EXHIBIT F**, will be delivered on the date of issue of the 1998 Series 1 Bonds. In the event certificated 1998 Series 1 Bonds are issued, the opinion will be printed on the reverse side of each 1998 Series 1 Bond.

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the State has entered into a Master Agreement on Continuing Disclosure and an Addendum Describing Annual Report for Clean Water Revenue Bonds, and before the delivery of the 1998 Series 1 Bonds, will enter into a Supplemental Agreement pertaining to the 1998 Series 1 Bonds (collectively, the "Agreements"). The Agreements constitute an undertaking for the benefit of the beneficial owners of the 1998 Series 1 Bonds and require the State to prepare and provide an Annual Report (providing certain financial information and operating data relating to the State), not later than 180 days following the close of the State's fiscal year, to each of the NRMSIRS, and to provide notices of occurrence of certain events specified in the Rule to the NRMSIRS or the Municipal Securities Rulemaking Board (the "MSRB"), and to the state information depository ("SID"), if any. As of the date of this Official Statement no SID has been established. Copies of the Agreements, Annual Report, and notices may be obtained from: Capital Finance Office; Department of Administration; Division of Executive Budget and Finance; 101 East Wilson Street; P.O. Box 7864; Madison, WI 53707-7864.

As of the date of this Official Statement, only one entity, the State of Wisconsin, is expected to be the source of 20% or more of the gross cash flow servicing the Bonds.

The Agreements also describe the consequences of any failure to provide the required information. The Agreements require that a failure to provide the required information must be reported to the NRMSIRS or the MSRB, and to any SID, and the Rule requires consideration of any such failure by any brokers, dealer or municipal securities dealer before recommending the purchase or sale of the 1998 Series 1 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 1998 Series 1 Bonds and their market price. In the previous five years, there has been no failure to comply in any material respect with a similar undertaking by the State.

FURTHER INFORMATION

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

Periodic public reports relating to the financial condition of the State, its operations and the balances, receipts and disbursements of the various funds of the State are prepared by DOA, the Department of Revenue, the State Treasurer and the Legislative Auditor.

Additional information about the State may be obtained upon request from DOA, Attn.: Mr. Frank R. Hoadley, Capital Finance Director, (608) 266-2305.

The State has covenanted to file with the Trustee, and to make generally available from DOA upon request, a copy of its audited financial report with respect to the Clean Water Fund Program for each fiscal year. A copy of the auditor's report and financial statements for the Clean Water Fund Program as of June 30, 1997 and 1996 is set forth by reference in **EXHIBIT B**. The State has not otherwise committed to update information in this Official Statement or to provide any other continuing disclosure concerning the Clean Water Fund Program, except as provided herein under "**CONTINUING DISCLOSURE**".

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any owners of the 1998 Series 1 Bonds.

This Official Statement is submitted only in connection with the sale of the 1998 Series 1 Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except with express permission.

Dated: January 22, 1998

STATE OF WISCONSIN

/S/ TOMMY G. THOMPSON

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

/S/ MARK D. BUGHER

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

/S/ ROBERT BRANDHERM

Robert Brandherm, Secretary
State of Wisconsin Building Commission

EXHIBIT A

INFORMATION ABOUT THE STATE

This exhibit includes information concerning the State of Wisconsin (the “State”), the State of Wisconsin Building Commission (the “Commission”) and general obligation debt issued by the State. Parts II and III of the [State of Wisconsin Continuing Disclosure Annual Report, dated December 26, 1997](#) (the “State Annual Report”) are included by reference as part of this EXHIBIT A.

Part II to the State Annual Report contains certain general information about the State, including information about the State’s operations and financial procedures, the State’s accounting and financial reporting, the organization and description of services provided by the State, certain financial information about the State, the results of the 1996-97 fiscal year, the State budget, State obligations, and the State Investment Board, together with statistical information about the State’s population, income and employment. Included as APPENDIX A to Part II are the [audited general purpose financial statements for the fiscal year ending June 30, 1997](#), prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor’s report.

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

The 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:

www.doa.state.wi.us/debf/capfin/97condis.htm

EXHIBIT B

INFORMATION ABOUT THE CLEAN WATER FUND PROGRAM

This exhibit includes information concerning the State of Wisconsin Clean Water Fund Program. [Part VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 26, 1997](#) (the "State Annual Report") is included by reference as part of this EXHIBIT B.

Part VI to the State Annual Report contains certain general information about the Clean Water Fund Program. Included as APPENDIX A to Part VI are the [audited financial statements for the Clean Water Fund Program for the fiscal year ending June 30, 1997](#).

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:

www.doa.state.wi.us/debf/capfin/97condis.htm

EXHIBIT C

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 Program means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

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 loans made primarily from the proceeds of federal Capitalization Grants, the State Match, or repayments of Direct Loans, and excludes any Leveraged 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.

Environmental Improvement Fund means the nonlapsible trust fund of that name created by Section 25.43 of the Statutes.

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.

Leveraged Loan Repayments means a Loan Repayment.

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

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 or Leveraged 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.

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.

Proprietary Loan means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Leveraged Loan.

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 Firststar 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 D

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, 1997 the amount held in the Loan Credit Reserve Fund was \$44.7 million, and the amount required on such date was \$36.4 million.

Current Schedules

The Bonds are currently rated AA+ by Fitch IBCA, Inc. (“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 in Table E-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 IBCA, Inc.

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 E

LOANS AND LOAN COMMITMENTS

Table E-1 identifies, as of September 30, 1997, Municipalities that have entered into Financial Assistance Agreements and the amount of proceeds disbursed under such agreements. Table E-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 E-1
Loans and Commitments
September 30, 1997
(Amounts in Thousands)

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 and 1997 Revenue Bond Payment ^(e)
<i>Leveraged Loans</i>							
Milwaukee MSD ^W	252,237	242,558	106,271	92,999	199,271	9,679	18.71%
Madison MSD ^W	48,231	42,075	32,488	5,960	38,448	6,156	6.40%
Fort Atkinson	14,594	14,266	11,652		11,652	328	2.37%
Stevens Point	13,560	12,979	11,416		11,416	581	2.24%
Green Bay MSD ^W	41,303	38,706	9,257	23,538	32,795	2,597	1.73%
Sussex	11,029	10,605	8,479		8,479	423	1.61%
Waupaca	8,799	8,308	7,985		7,985	491	1.60%
Sparta	10,726	10,043	7,917		7,917	683	1.55%
Green Lake SD ^W	8,674	8,388	7,563		7,563	286	1.38%
Chippewa Falls	5,335	4,758	4,758		4,758	577	0.94%
Menomonie	5,598	4,539	4,539		4,539	1,059	1.01%
Rhineland	5,136	5,123	4,391		4,391	13	0.87%
Stoughton	5,590	4,972	4,370	204	4,575	618	0.83%
Richland Center	4,998	4,750	4,120		4,120	248	0.83%
Salem ^W	4,345	4,183	3,905		3,905	162	0.74%
Bristol	4,211	3,971	3,568		3,568	240	0.71%
Racine	4,477	3,765	3,438		3,438	712	0.66%
Antigo	4,317	3,438	3,369		3,369	878	0.67%
Black Creek	4,332	3,314	3,314		3,314	1,018	0.65%
South Milwaukee	3,410	3,410	3,158		3,158		0.61%
Merrill	4,044	4,033	3,141		3,141	11	0.61%
Neillsville	3,238	3,058	3,058		3,058	180	0.61%
Black Wolf SD #1	4,327	4,065	3,050		3,050	262	0.54%
Lodi	4,050	3,028	3,028		3,028	1,022	0.60%
Wautoma	3,234	3,211	2,980		2,980	23	0.59%
Tomahawk	3,026	2,811	2,811		2,811	215	0.55%
Bloomer	6,694	2,706	2,706		2,706	3,988	0.54%
New Glarus	3,503	3,035	2,599		2,599	468	0.51%
Reedsville	2,768	2,607	2,529		2,529	161	0.50%
Allouez ^W	3,072	2,507	2,507		2,507	564	0.49%
Weyauwega	3,285	3,108	2,470		2,470	176	0.50%
Colby	2,837	2,626	2,427		2,427	211	0.47%
Kenosha	31,513	27,840	2,287	22,232	24,519	3,673	0.45%
Amery	2,431	2,319	2,228		2,228	112	0.44%
Sheboygan	7,626	6,414	2,123	4,126	6,249	1,211	0.42%
Silver Lake SD - Waushara	2,264	2,247	2,085		2,085	17	0.41%
Monticello	2,345	2,319	2,052		2,052	26	0.32%
Chain O'Lakes SD #1	2,082	2,063	1,994		1,994	19	0.43%
Union Grove	2,192	2,149	1,990		1,990	44	0.41%
Poynette	2,288	2,064	1,985		1,985	223	0.38%

**Table E-1 – Continued
Loans and Commitments
September 30, 1997
(Amounts in Thousands)**

Municipality	Financial Assistance	Total Disbursed	Leveraged Loan Balance	Direct & Proprietary	Total Balance (c)	Loan Amount	Leveraged Loans
	Loan Amounts (a)			Loan Balance (b)		Remaining to Fund (d)	Percent of 1991, 1993, 1995 and 1997 Revenue Bond Payment (e)
Belleville	2,563	1,973	1,973		1,973	591	0.39%
Hudson ^{18j}	2,760	2,502	1,966		1,966	258	0.37%
Mount Horeb	3,436	3,338	1,738	890	2,628	97	0.32%
Pewaukee	8,191	3,676	1,635	2,041	3,676	4,515	0.32%
Fremont	1,867	1,549	1,549		1,549	318	0.31%
Lancaster	1,688	1,601	1,481		1,481	88	0.29%
Whitewater	1,564	1,475	1,475		1,475	89	0.29%
Menasha SD #4 ^{11j}	1,659	1,642	1,464		1,464	17	0.28%
Trempealeau	1,559	1,481	1,434		1,434	78	0.29%
Crandon	1,537	1,380	1,380		1,380	157	0.27%
Fond du Lac	2,022	1,732	1,370		1,370	291	0.26%
Potosi/Tennyson SC	1,543	1,543	1,367		1,367		0.26%
Saukville	1,578	1,554	1,336		1,336	24	0.27%
Black River Falls	1,894	1,767	1,330		1,330	127	0.24%
Valders	1,538	1,538	1,302	114	1,416		0.25%
Manawa	1,408	1,338	1,287		1,287	70	0.26%
Mount Calvary	1,430	1,393	1,258		1,258	37	0.19%
Monroe	1,580	1,527	1,250		1,250	53	0.24%
Freedom SD #1	2,748	1,233	1,233		1,233	1,515	0.24%
Mosinee	1,383	1,297	1,196		1,196	85	0.23%
Oconomowoc	5,449	1,183	1,183		1,183	4,266	0.23%
Columbus	1,235	1,215	1,167		1,167	20	0.23%
Baraboo	1,402	1,385	1,161		1,161	18	0.21%
Viroqua	1,353	1,314	1,159		1,159	39	0.22%
Bay City	1,224	1,200	1,153		1,153	24	0.24%
Wisconsin Dells - Lake Delton SC	1,486	1,476	1,144		1,144	10	0.22%
Hewitt ^{18j}	1,467	1,298	1,129		1,129	169	0.20%
Brodhead	6,021	1,085	1,085		1,085	4,936	0.21%
Argyle	1,467	1,380	1,072		1,072	87	0.19%
Edgerton	1,829	1,048	1,048		1,048	781	0.21%
Wolf TPC	1,274	1,274	1,024		1,024		0.20%
Wrightstown SD #1 ^{18j}	1,081	1,036	955		955	45	0.19%
Kewaunee	1,017	1,017	937		937		0.18%
Lake Nebagamon ^{18j}	1,539	935	935		935	604	0.19%
Galesville	1,143	1,111	909		909	32	0.18%
River Falls	1,009	918	882		882	91	0.17%
Silver Lake SD - Washington	1,063	1,063	859		859		0.14%
Marshall	6,559	848	848		848	5,712	0.17%
Redgranite	997	997	841		841		0.13%
Spring Green	950	868	838		838	82	0.16%
Newburg	1,549	787	787		787	762	0.15%
Janesville	879	835	759		759	44	0.15%
Neenah SD #2	1,057	1,057	747		747		0.11%
Blue Mounds	1,152	744	744		744	408	0.15%
Mercer SD #1	787	787	738		738		0.17%
Cudahy ^{11j}	886	839	721		721	47	0.14%
Montfort	779	740	713		713	39	0.14%
Plymouth	4,586	4,308	674	3,151	3,825	278	0.14%
Beaver Dam	819	798	655		655	21	0.13%
Abbotsford	722	660	637		637	62	0.13%
Iron River SD #1	717	669	629		629	48	0.12%
Laona SD #1	746	746	596		596		0.11%
Sunset Point SD	686	655	568		568	31	0.12%
Hartford-Town	742	742	556		556		0.08%
Two Rivers	733	603	528		528	130	0.10%
New Lisbon	866	614	515		515	252	0.10%
Boscobel	639	590	500		500	49	0.10%
Watertown	1,141	481	481		481	660	0.09%
De Pere	916	853	470		470	63	0.08%

Table E-1 – Continued
Loans and Commitments
September 30, 1997
(Amounts in Thousands)

Municipality	Financial Assistance	Total	Leveraged Loan	Direct &	Total Balance	Loan Amount	Leveraged Loans
	Loan Amounts ^(a)			Disbursed			
				Loan Balance ^(b)		Fund ^(d)	1993, 1995 and 1997
							Revenue Bond
							Payment ^(e)
Almond	530	504	447		447	27	0.09%
Prentice	544	447	430		430	97	0.08%
New Richmond	496	445	427		427	52	0.08%
Prescott	5,349	4,904	424	4,113	4,537	444	0.08%
Pulaski	483	483	424		424		0.08%
North Freedom	498	473	421		421	25	0.08%
Brazeau SD #1	793	417	417		417	377	0.08%
Slinger	480	480	412		412		0.08%
Iowa County ¹³⁷	486	486	401		401		0.08%
Goodman SD #1	463	463	391		391		0.06%
Random Lake	464	441	388		388	23	0.07%
Belmont	458	416	387		387	42	0.07%
Coleman	507	449	351		351	58	0.07%
Prairie du Chien	4,106	4,050	345	3,308	3,653	55	0.07%
Cassville	442	401	343		343	41	0.07%
Ellsworth	373	331	318		318	42	0.06%
Wheeler	360	331	295		295	29	0.06%
Hustisford	446	395	252	54	306	50	0.05%
Osceola	298	262	252		252	36	0.05%
Grand Chute - Manasha West SC	11,835	11,227	244	9,704	9,949	608	0.05%
Blue River	281	270	229		229	11	0.04%
Plum City	249	249	223		223		0.04%
Baldwin	262	224	215		215	38	0.04%
Highland	825	207	207		207	618	0.04%
Gays Mills	180	173	173		173	7	0.03%
Village of Rockland ¹³⁷	967	164	164		164	803	0.03%
Little Elkhart Lake RD	217	217	163		163		0.02%
Webster	204	194	150		150	10	0.03%
Brokaw	197	190	144		144	7	0.03%
Prairie du Sac	205	132	132		132	74	0.03%
Linden	165	153	130		130	12	0.03%
Spring Valley	120	100	96		96	20	0.02%
Potosi ¹³⁷	220	92	92		92	128	0.02%
Bowler	115	107	80		80	8	0.01%
Fontana	861	74	74		74	787	0.01%
Royal Scot SD	510	510	61		61		0.01%
Roberts	81	63	60		60	19	0.01%
Sextonville SD	589	55	55		55	535	0.01%
Walworth	332	28	28		28	304	0.01%
SUBTOTAL	697,624	624,664	367,228	172,436	539,664	72,960	69.49%
Direct and Proprietary Loans							
Waukesha	42,072	39,968		33,213	33,213	2,104	
Brookfield- Fox River WPCC	23,195	10,006		10,006	10,006	13,190	
Oshkosh	21,383	18,605		18,170	18,170	2,777	
Walworth County MSD ¹³⁷	19,994	18,877		17,318	17,318	1,117	
Burlington	18,488	17,855		13,831	13,831	633	
Appleton	16,474	13,989		11,813	11,813	2,485	
Wisconsin Rapids	11,670	11,348		9,213	9,213	322	
Ashland	9,013	8,855		6,459	6,459	157	
Pewaukee SD #3- Fox River WPCC	8,049	3,255		3,255	3,255	4,794	
Bohmers Lake SD #1 ¹³⁷	8,007	4,156		3,863	3,863	3,851	
Oregon	6,785	6,445		6,210	6,210	339	
Brookfield SD #4- Fox River WPCC	5,750	2,169		2,169	2,169	3,580	
Algoma	5,547	5,432		4,319	4,319	115	
Oconto	3,844	3,725		3,434	3,434	119	

Table E-1 – Continued
Loans and Commitments
September 30, 1997
(Amounts in Thousands)

Municipality	Financial Assistance	Total	Leveraged Loan	Direct &	Total Balance	Loan Amount	Leveraged Loans
	Loan Amounts ^(a)			Disbursed		Balance	
			Balance	Loan Balance ^(b)		Fund ^(d)	Revenue Bond
							Payment ^(c)
Lannon	3,824	3,326		3,203	3,203		498
Cleveland	3,610	3,452		3,317	3,317		158
Eagle River	3,563	3,352		3,218	3,218		211
Dyckesville SD	3,127	2,971		1,776	1,776		156
Lisbon SD #1	2,849	2,706		2,066	2,066		142
Island View SD ^{18'}	2,764	1,769		1,769	1,769		996
Orihula SD	2,522	2,299		2,237	2,237		223
Kiel	2,470	308		308	308	2,162	
Nekoosa ^{19'}	2,435	2,314		2,226	2,226		122
Denmark	2,241	2,223		1,910	1,910		18
Butte des Morts	2,144	2,144		1,404	1,404		
Consolidated SD #1							
Hilbert	1,955	1,955		1,812	1,812		
Lomira	1,932	1,784		1,647	1,647	148	
Hartford	1,754	1,666		1,286	1,286	88	
Crivitz	1,725	1,725		1,404	1,404		
Wausaukee	1,662	1,662		1,479	1,479		
South Wayne	1,388	659		635	635	729	
Pensaukee SD #1 ^{18'}	1,279	1,279		1,279	1,279		
Oneida Tribe of Indians	1,210	1,210		892	892		
Hatfield SD #1	1,135	1,135		958	958		
Pleasant Springs SD #1 ^{19'}	1,029	923		859	859	106	
Cloverleaf Lakes SD #1	1,022	977		930	930	45	
Omro SD #1	992	992		942	942		
Bayshore SD	947	899				47	
Menomonee Falls-	887	431		431	431	456	
Fox River WPCC							
Valley Ridge CWC	749	749		578	578		
Little Suamico SD #1	728	688		577	577	40	
Onion River SC/ Adell	721	721		545	545		
Norway SD #1	680	672		300	300	8	
North Hudson	641	620		205	205	21	
Nelson	640	640		608	608		
Oliver	588	565		549	549	23	
Fairchild	575	325		325	325	250	
Adell	566	566		427	427		
Calumet SD #1	505	505		452	452		
Bear Creek	432	387		373	373	44	
Elk Mound (f)	419	418		323	323	1	
Ithaca SD #1	412	412		412	412		
Gordon SD #1	395	395		311	311		
Blue Spring Lake MD	380	361				19	
Avoca	359	336		323	323	23	
Eastman	323	323		243	243		
Morrison SD #1	294	294		178	178		
Onion River SC/Hingham	227	227		175	175		
Rockland SD #1	222	222		156	156		
Ogema SD #1	190	181		149	149	10	
Green Valley SD #1	188	183		176	176	5	
Niagara (f)	181	181		136	136		
Consolidated S.D. #1	155	155		117	117		
Town of Friendship							
Wauzeka	128	104		100	100	24	
Ironton	107	107		68	68		
Boaz	106	106		79	79		
Caroline SD	83	83		62	62		
Washington ^{19'}	60	60					
Westboro SD #1	51	51		51	51		
Oakdale	45	45		32	32		
Germantown SD	34	34		26	26		
Winneconne	25	24				1	
Aurora SD #1	15	15		8	8		
SUBTOTAL	261,955	219,597		189,326	189,326	42,358	
TOTAL	959,580	844,262	367,228	361,762	728,991	115,318	69.49%

Table E-2
Loans and Grants Expected to be Funded
(In addition to remaining Loan balance in Table E-1)
September 30, 1997
(Amounts in Thousands)

Municipality	Expected to Fund ^(h)
City of Adams	\$470,368.00
City of Beloit	3,056,250.00
City of De Pere	1,102,590.00
City of Hartford	21,666,022.00
City of Tomah	14,873,006.00
Hub-Rock Town Sanitary District No. 1	1,990,986.00
Lake Como Beach Sanitary District	16,301,300.00
Morrisonville Sanitary District #1	896,732.00
Pell Lake Sanitary District #1	18,758,411.00
Village of Kennan	298,000.00
Village of Milltown	273,520.00
Village of Pepin	484,757.00
Village of Rosholt	662,272.00
Village of Wheeler	400,000.00
TOTAL FUTURE LOANS & GRANTS	\$81,234,214.00

- (a) The amounts of financial assistance depicts only loans. Grants awarded in the aggregate amount of \$67,806,434 are not included.
- (b) The totals of the Direct and Proprietary Portfolios are \$340,520,273 and \$21,241,922, 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 E-1) and Future Loans and Grants equals \$196,552,000. These amounts are expected to be provided from the 1998 Series 1 Bonds, and the Direct Loan and the Proprietary Loan Portfolios.
- (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, 1995 Series 1 Bonds and 1997 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 consist of Subsidy Fund transfers and repayments on Loans to be originated in the future from the remaining undisbursed 1997 Series 1 Bond proceeds.
- (f) The Municipal Obligation for loans made to these communities are evidenced solely by general obligations.
- (g) These Municipal Obligations for loans made to these communities are evidenced by a combination of revenue bonds and general obligation bonds or notes.
- (h) 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 F
FORM OF BOND COUNSEL OPINION

Upon delivery of the 1998 Series 1 Bonds, Michael Best & Friedrich LLP, Madison, Wisconsin, expects to deliver to the State a legal opinion in substantially the following form:

(Letterhead of Michael Best & Friedrich LLP)
\$90,000,000
State of Wisconsin
Clean Water Revenue Bonds, 1998 Series 1

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (the "State") of \$90,000,000 aggregate principal amount of Clean Water Revenue Bonds, 1998 Series 1 (the "1998 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 1998 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"), 1997 State of Wisconsin Building Commission Resolution No. 26 dated November 25, 1997 entitled "Resolution Authorizing up to \$110,000,000 Clean Water Revenue Bonds", and 1998 State of Wisconsin Building Commission Resolution No. 1 dated January 22, 1998 entitled "Series Resolution Authorizing the Issuance of \$90,000,000 State of Wisconsin Clean Water Revenue Bonds, 1998 Series 1" (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 1998 Series 1 Bonds and have found it to be in proper form.

The 1998 Series 1 Bonds are dated January 15, 1998; are payable as to interest on June 1 and December 1 in each year until maturity, commencing June 1, 1998; 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 1998 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

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
1999	\$2,940,000	4.00%	2009	\$4,400,000	5.00%
2000	3,045,000	4.00	2010	4,600,000	5.00
2001	3,165,000	4.00	2011	4,815,000	5.00
2002	3,285,000	4.00	2012	5,040,000	4.60
2003	3,415,000	4.25	2013	5,285,000	4.60
2004	3,555,000	4.25	2014	5,545,000	4.65
2005	3,705,000	5.00	2015	5,820,000	4.70
2006	3,865,000	5.00	2016	6,110,000	4.75
2007	4,035,000	5.00	2017	6,420,000	4.80
2008	4,210,000	5.00	2018	6,745,000	4.85

(Accrued Interest to be Added)

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 1998 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 1998 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 1998 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 1998 Series 1 Bonds are not general obligations of the State, its agencies, instrumentalities or political subdivisions, and the 1998 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 1998 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 1998 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 1998 Series 1 Bonds is excluded for federal income tax purposes from the gross income of the owners of the 1998 Series 1 Bonds under existing law.
8. Interest on the 1998 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 1998 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 1998 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 1998 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 1998 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 conneted earnings and profits, including interest on the 1998 Series 1 Bonds.

Very truly yours,

MICHAEL BEST & FRIEDRICH LLP

