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December 19, 2001

Thank you for your interest in the State of Wisconsin.

Each year we prepare a Continuing Disclosure Annual Report for the State's securities. *This is the Annual Report for the fiscal year ending June 30, 2001.* It provides information on different securities that the State issues and was prepared to fulfill the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the Annual Report with each nationally recognized municipal securities information repository.

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

### **Organization of this Annual Report**

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

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.
- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the audited general purpose financial statements for the fiscal year ending June 30, 2001 and the State Auditor's report. Page 26 in this part of the Annual Report also includes the following statement regarding the State's 2001-03 biennial budget:

In response to a national economy in recession, the State has implemented a hiring freeze and ordered State agencies to reduce operating budgets by an additional 3.5% for the current 2001-02 fiscal year. On December 18, 2001, the Department of Revenue reported that individual income and sales tax collections through October 31, 2001 were below the Legislative Fiscal Bureau projections used in the preparation of the 2001-03 biennial budget. See "**General Fund Information**" in this Part II of the Annual Report for general fund revenue and expenditure information for the period ended November 30, 2001.

It is expected that the Legislative Fiscal Bureau will release an updated general fund revenue forecast by late-January 2002. At that time, if the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues, the Secretary of Administration is required by law to notify the Governor, the Legislature, and its Joint Committee on Finance, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, the Governor must call a special session to take up the matter.

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

- **Part III – General obligations**
- **Part IV – Master lease certificates of participation**

- **Part V – Transportation revenue bonds**
- **Part VI – Clean water revenue bonds**
- **Part VII – Petroleum inspection fee revenue obligations**

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

### **Ratings on the State's Securities**

The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues. Your attention is called to rating changes highlighted below.

<u>Security</u>	<u>Fitch, Inc.</u>	<u>Moody's Investors Service, Inc.</u>	<u>Standard &amp; Poor's Ratings Services</u>
General Obligations	<b>AA</b> <sup>(1)</sup>	<b>Aa3</b> <sup>(2)</sup>	<b>AA</b> <sup>(3)</sup>
Master Lease Certificates of Participation	AA-	<b>A1</b> <sup>(4)</sup>	<b>AA-</b> <sup>(5)</sup>
Transportation Revenue Bonds	AA	Aa3	AA-
Clean Water Revenue Bonds	AA+	Aa2	AA+
Petroleum Inspection Fee Revenue Bonds	AA-	Aa3	AA-

<sup>(1)</sup> Downgraded from AA+ on September 4, 2001.

<sup>(2)</sup> Downgraded from Aa2 on August 28, 2001.

<sup>(3)</sup> Placed on "Negative Outlook" on August 29, 2001.

<sup>(4)</sup> Downgraded from Aa3 on August 28, 2001.

<sup>(5)</sup> Upgraded from A+ since last year, and placed on "Negative Outlook" on August 29, 2001.

### **How to Get Additional Information**

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

The Capital Finance Office maintains a web page that contains other information that may be of interest. Neither the web site nor the additional information it contains is part of this Annual Report.

[www.doa.state.wi.us/debf/scf/](http://www.doa.state.wi.us/debf/scf/)

Financial Disclosure and Debt Management, including—

- Annual Reports
- CAFR
- Official Statements
- Offering Memoranda
- Upcoming Sale Materials
- Secondary Market Continuing Disclosure Announcements
- Monthly General Fund Reports

We welcome your comments or suggestions about the format and content of this Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is [capfin@doa.state.wi.us](mailto:capfin@doa.state.wi.us).

Sincerely,

Frank R. Hoadley  
Capital Finance Director

**SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS  
AS OF DECEMBER 1, 2001**

	<b>Principal Balance <u>12/1/2000</u></b>	<b>Principal Issued 12/1/2000 - <u>12/1/01</u></b>	<b>Principal Matured or Redeemed 12/1/2000 - <u>12/1/01</u></b>	<b>Principal Balance <u>12/1/2001</u></b>
<b><u>GENERAL OBLIGATIONS<sup>(a)</sup></u></b>				
<b>Total General Obligations</b>	<b>\$4,067,583,078</b>	<b>\$727,750,000</b>	<b>\$554,889,596</b>	<b>\$4,240,443,481</b>
General Purpose Revenue (GPR)	2,896,583,413	562,388,853	426,674,902	3,032,297,364
Self-Amortizing: Veterans	785,320,000	55,000,000	60,405,000	779,915,000
Self-Amortizing: Other	385,679,665	110,361,147	67,809,694	428,231,117
<b><u>MASTER LEASE CERTIFICATES OF PARTICIPATION</u></b>				
<b>Master Lease COPs</b>	<b>\$76,939,981</b>	<b>\$40,530,652</b>	<b>\$28,380,909</b>	<b>\$89,089,724</b>
<b><u>TRANSPORTATION REVENUE OBLIGATIONS<sup>(a)(b)</sup></u></b>				
<b>Transportation Revenue Obligations</b>	<b>\$1,000,878,000</b>	<b>\$140,000,000</b>	<b>\$41,620,000</b>	<b>\$1,099,258,000<sup>(b)</sup></b>
<b><u>CLEAN WATER REVENUE BONDS</u></b>				
<b>Clean Water Revenue Bonds</b>	<b>\$545,625,000</b>	<b>\$70,000,000</b>	<b>\$27,245,000</b>	<b>\$588,380,000</b>
<b><u>PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS<sup>(a)(c)</sup></u></b>				
<b>Petroleum Inspection Fee Revenue Obligations</b>	<b>\$248,500,000</b>	<b>\$30,000,000</b>	—	<b>\$278,500,000<sup>(c)</sup></b>

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

(b) Reflects outstanding balance as of December 15, 2001

(c) Reflects outstanding balance as of December 18 2001

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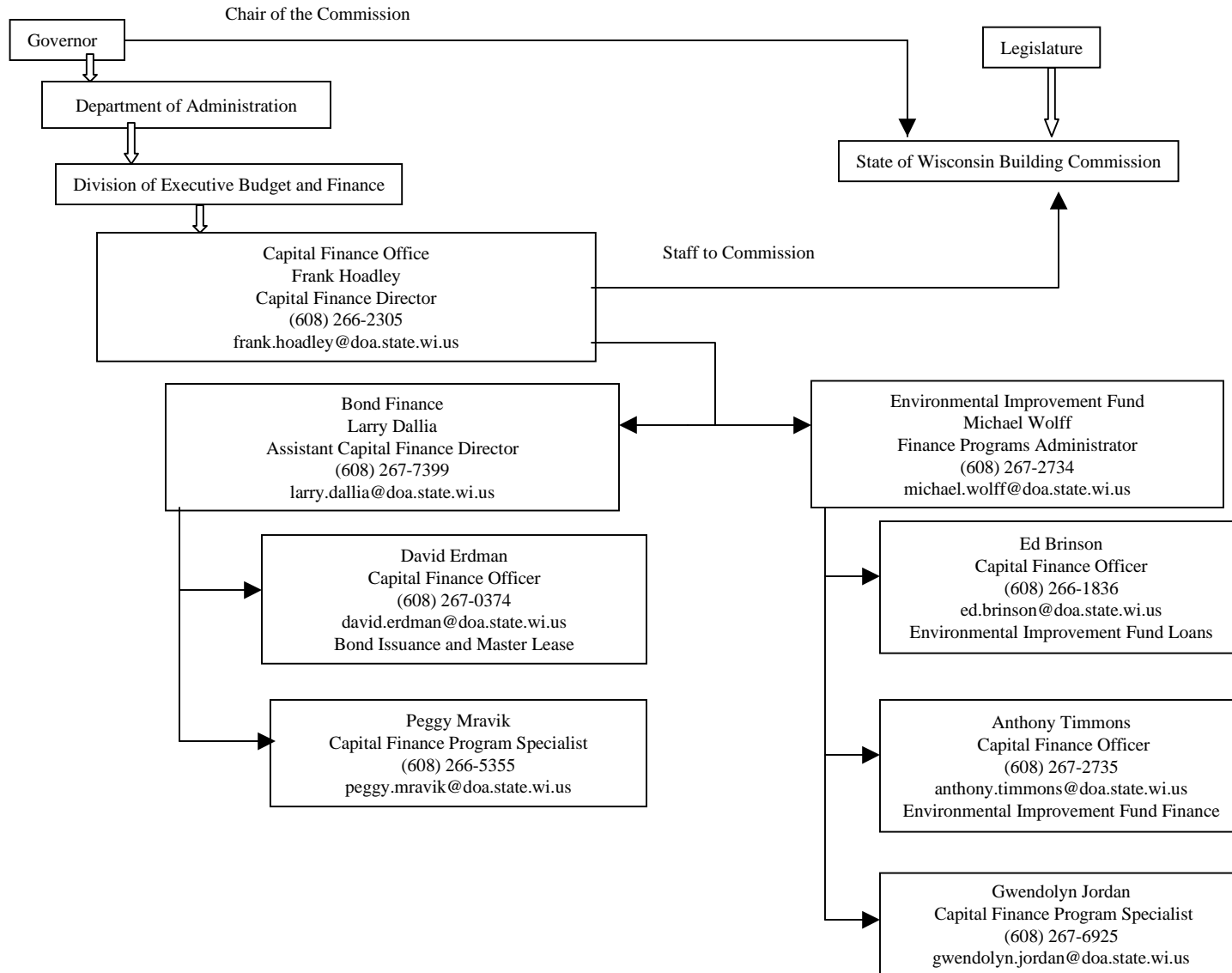
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## Capital Finance Office Staff (As of December 1, 2001)



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

## BUILDING COMMISSION MEMBERS

<b>Voting Members</b>	<b>Term of Office Expires</b>
Governor Scott McCallum, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Mark Meyer	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Timothy Hoven	January 6, 2003
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
<b>Nonvoting, Advisory Members</b>	
Mr. George Lightbourn, 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	—
<b>Building Commission Secretary</b>	
Mr. Robert G. Cramer, Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and Secretary of Administration

## OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 6, 2003
Mr. James E. Doyle State Attorney General	January 6, 2003

## DEBT MANAGEMENT AND DISCLOSURE

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## PART V

### TRANSPORTATION REVENUE OBLIGATIONS

This part of the Annual Report provides information about transportation revenue obligations issued by the State of Wisconsin.

Total Outstanding Balance (12/15/2001)	\$1,099,258,000
Amount Outstanding—Fixed Rate Obligations	\$ 962,585,000
Amount Outstanding—Variable Rate Obligations	\$ 136,673,000
Percentage of Outstanding Obligations in form of Variable Rate Obligations	12.43%
Bond Ratings (Fitch/Moody's/Standard & Poors)	AA/Aa3/AA-
Variable Rate Obligation Ratings	F-1+/P-1/A-1+

**APPENDIX A** includes audited financial statements for the Transportation Revenue Bond Program and Transportation Commercial Paper Program for the year ended June 30, 2001. The Wisconsin Statutes provide that the State of Wisconsin Building Commission (**Commission**) has supervision over all matters relating to the State's issuance of revenue obligations. Employees of the Division of Executive Budget and Finance serve as the Capital Finance Director and staff responsible for managing the State's borrowing programs.

Transportation revenue obligations are issued pursuant to the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution, dated June 26, 1986, as amended (**General Resolution**). The State has issued transportation revenue obligations in the form of bonds and commercial paper notes. Bank One Trust Company, National Association serves as Trustee for the transportation revenue bond program (**Trustee**). The Trustee serves as registrar and paying agent for the bonds, and Bankers Trust Company serves as issuing and paying agent for the commercial paper notes. The law firms of Michael Best & Friedrich LLP and Quarles & Brady LLP provide bond counsel services to the State for issuance of transportation obligations. The State has rarely employed a financial advisor for the issuance of transportation revenue obligations, except for advance refunding issues.

The Department of Transportation (**Department**) is responsible for the planning and completion of major highway projects funded in part with the proceeds of obligations issued under the General Resolution.

Requests for additional information about the transportation revenue obligations may be directed as follows:

*Contact:* Capital Finance Office  
Attn: Capital Finance Director  
*Phone:* (608) 266-2305  
*Mail:* 101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
*E-mail:* [capfin@doa.state.wi.us](mailto:capfin@doa.state.wi.us)

This Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part V of the Annual Report



may differ from that of terms used in another part. See “GLOSSARY” for the definition of capitalized terms used in this Part V of the Annual Report. Material referred to in this Annual Report is not part of this Annual Report unless expressly included by reference.

## OUTSTANDING OBLIGATIONS

The State has issued the transportation revenue bonds and commercial paper notes shown in Table V-1. The table also includes the outstanding principal balances as of December 15, 2001.

**Table V-1**  
**OUTSTANDING TRANSPORTATION REVENUE**  
**OBLIGATIONS BY ISSUE**  
**(As of December 15, 2001)**

<u>Financing</u>	<u>Date of Financing</u>	<u>Maturity</u>	<u>Amount of Issuance</u>	<u>Amount Outstanding</u>
<i>Fixed Rate Transportation Revenue Bonds</i>				
1986, Series A ( <b>1986 Bonds</b> ) .....	6/15/86	1987-2007	139,055,000	0
1988, Series A ( <b>1988 Bonds</b> ) .....	4/15/88	1989-2008	51,475,000	0
1989, Series A ( <b>1989 Bonds</b> ) .....	4/15/89			
Serial Bonds .....		1990-2004	31,165,000	0
Term Bonds .....		2009	20,135,000	0
1991, Series A ( <b>1991 Bonds</b> ) .....	10/1/91	1992-2011	105,660,000	
1992, Series A ( <b>1992 Series A Bonds</b> ) .....	7/1/92			
Serial Bonds .....		1999-2006	96,945,000	\$ 66,955,000 <sup>(a)</sup>
Term Bonds .....		2009	22,260,000	21,525,000 <sup>(a)</sup>
Term Bonds .....		2012	3,520,000	0 <sup>(a)</sup>
Term Bonds .....		2022	16,880,000	15,570,000 <sup>(a)</sup>
1992, Series B ( <b>1992 Series B Bonds</b> ) .....	7/1/92			
Serial Bonds .....		1993-2006	55,155,000	14,065,000 <sup>(a)</sup>
Term Bonds .....		2009	18,395,000	0 <sup>(a)</sup>
Term Bonds .....		2012	21,770,000	0 <sup>(a)</sup>
Term Bonds .....		2022	104,390,000	96,280,000 <sup>(a)</sup>
1993, Series A ( <b>1993 Bonds</b> ) .....	9/1/93	1994-2012	116,450,000	88,720,000
1994, Series A ( <b>1994 Bonds</b> ) .....	7/1/94			
Serial Bonds .....		1995-2012	84,320,000	22,950,000 <sup>(a)</sup>
Term Bonds .....		2014	15,680,000	15,680,000
1995, Series A ( <b>1995 Bonds</b> ) .....	9/1/95	1996-2015	105,000,000	76,665,000 <sup>(a)</sup>
1996, Series A ( <b>1996 Bonds</b> ) .....	5/15/96	1997-2016	115,000,000	48,175,000 <sup>(a)</sup>
1998, Series A ( <b>1998 Series A Bonds</b> ) .....	8/15/98	1999-2016	130,590,000	129,220,000
1998, Series B ( <b>1998 Series B Bonds</b> ) .....	10/1/98			
Serial Bonds .....		2000-17	93,905,000	86,985,000
Term Bonds .....		2019	16,095,000	16,905,000
2000, Series A ( <b>2000 Bonds</b> ) .....	9/15/2000	2012-21	123,700,000	123,700,000
2001, Series A ( <b>2001 Bonds</b> ) .....	11/15/01	2003-22	<u>140,000,000</u>	<u>140,000,000</u>
<i>Total Fixed-Rate Transportation Revenue Bonds</i>			<u>\$1,627,545,000</u>	<u>\$ 962,585,000</u>
<i>Variable Rate Transportation Revenue Obligations</i>				
1997, Commercial Paper Notes, Series A.....	5/7/97		<u>\$ 188,600,000</u>	<u>\$ 136,673,000</u>
<i>Total Transportation Revenue Obligations</i>			<u>\$1,816,145,000</u>	<u>\$1,099,258,000</u>

<sup>(a)</sup> Pursuant to a refunding escrow agreement the principal and interest on all or a portion of the bonds have been or will be paid as it comes due and those bonds will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is treated as not outstanding for purposes of this table.

The 1986 Bonds, 1988 Bonds, 1989 Bonds, and 1991 Bonds have been redeemed in full and are not Outstanding Bonds within the meaning of the General Resolution. The 1992 Series A Bonds, 1992 Series B Bonds, 1993 Bonds, 1994 Bonds, 1995 Bonds, 1996 Bonds, 1998 Series A Bonds, 1998 Series B Bonds, 2000 Bonds, and 2001 Bonds (collectively, **Prior Bonds**), together with any additional Bonds issued by the State pursuant to the General Resolution, are referred to collectively as the **Bonds**. See “**SECURITY; Sources of Payment**”.

The Commercial Paper Notes of 1997, Series A (**Notes**) are issued pursuant to the General Resolution and are subordinate to the pledge granted to the Bonds. See “**VARIABLE RATE OBLIGATIONS**”. The Commission has adopted a Series Resolution that authorizes the issuance of Bonds to pay for the funding of the Notes. This Series Resolution is required pursuant to the terms of a credit agreement by which a syndicate of banks provide a letter of credit for liquidity and additional security on the Notes. These take-out Bonds, when and if issued, will be issued on a parity with the Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution.

## SECURITY

### Sources of Payment

The Prior Bonds have been issued on parity with each other. The Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution, are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution and are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program pledged to the payment of interest, principal, and Redemption Price on the Bonds.

Program Income includes certain vehicle registration fees authorized under Section 341.25 of the Wisconsin Statutes (**Registration Fees**) or any other moneys the State is authorized to pledge. See “**REGISTRATION FEES**”. All Program Income shall be collected by the Trustee, or the Department as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund. The pledge remains effective until all Bonds and Notes issued under the General Resolution are fully paid in accordance with their terms.

The Notes and any other obligation to be issued on parity with the Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created by the General Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income to payment of Bonds presently outstanding or hereafter issued.

Program Income received or to be received by the Trustee in the Redemption Fund is to be used:

- (1) To pay interest on all Outstanding Bonds
- (2) To pay the principal or Redemption Price of all Outstanding Bonds
- (3) To maintain the Debt Service Reserve Requirement in the Reserve Fund
- (4) To pay Program Expenses
- (5) To pay principal and interest on the Notes

All Program Income in excess of the amounts needed for such purposes is to be transferred to the Transportation Fund held by the Department and becomes free of the lien of the pledge. The

Department uses moneys in the Transportation Fund for any authorized purpose. See “**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**”.

*The Bonds shall be revenue obligations of the State payable solely out of the Redemption Fund and each Bond shall contain on its face a statement to that effect. The State is not generally liable on the Bonds, and the Bonds shall not be a debt of the State for any purpose whatsoever.*

*The Notes shall be revenue obligations of the State payable solely out of the Subordinated Debt Service Fund. The State is not generally liable on the Notes, and the Notes shall not be a debt of the State for any purpose whatsoever.*

The State pledges and agrees with the Bondholders and holders of Notes that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution, in the Bonds, or in the Notes) with the Bondholders and holders of Notes, or in any way impair the rights and remedies of the Bondholders and holders of Notes until the Bonds and Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders and holders of Notes, are fully met and discharged.

### **Reserve Fund**

The General Resolution creates a Reserve Fund and provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on the Outstanding Bonds. Each Series Resolution sets forth the Debt Service Reserve Requirement, if any, for that Series. The Debt Service Reserve Requirements for all of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement may be reduced by the Debt Service Reserve Requirement attributable to that Series.

Currently, the Reserve Fund has been funded in an amount at least equal to the maximum annual interest due on the Outstanding Bonds. No representation is made as to the Debt Service Reserve Requirement that may be established upon the issuance of additional Series of Bonds. If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amounts required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

The General Resolution provides that in lieu of a deposit to the Reserve Fund of an amount equal to the Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond, or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

#### *Surety Bond*

On May 27, 1993 and in conjunction with the issuance of the 1993 Bonds, the State began funding the Debt Service Reserve Requirement with an irrevocable surety bond from Ambac Assurance Corporation (**Ambac Assurance**). Subsequently, each time that Bonds have been issued, the Debt Service Reserve Requirement for the then Outstanding Bonds has been recalculated and the previous Surety Bond exchanged for a new Surety Bond. Currently, the Surety Bond is in an amount of \$47,918,600 (**Surety Bond Coverage**), which is greater than the maximum annual interest due on the Outstanding Bonds. The premium for the Surety Bond is

paid in full. The Surety Bond is noncancelable until it expires on the earlier of July 1, 2022 or when all Outstanding Bonds issued, now or in the future, under the General Resolution are paid in full. Principal payments or defeasance of Outstanding Bonds does not reduce the Surety Bond Coverage.

The Surety Bond provides that Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make a payment due on the Bonds, but in no event exceeding the amount of Surety Bond, upon the later of:

- One day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made, or
- The interest payment date specified in the Demand for Payment submitted to Ambac Assurance.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the State is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the State is subordinate to the State's obligations with respect to the Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond, or other such additional funding instrument, draws on the Surety Bond and the additional funding instrument shall be made on a pro rata basis to fund the insufficiency.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

#### *Ambac Assurance*

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$4,963,000,000 (unaudited) and statutory capital of approximately \$2,963,000,000 (unaudited) as of September 30, 2001. Statutory capital consists of Ambac Assurance policyholders' surplus and statutory contingency reserve. Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (**Company**), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (**Exchange Act**), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (**SEC**). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the SEC at 450 Fifth Street, N.W., Washington,

D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (NYSE) at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Annual Report other than the information supplied by Ambac Assurance and presented under the headings "*Surety Bond*" and "*Ambac Assurance*".

#### **Program Income Covenant**

In the General Resolution, the State has covenanted that it will charge and cause to be deposited with the Trustee sufficient Program Income:

- To pay all principal of and interest on the Bonds as the same become due
- To maintain the Reserve Fund at its requirement
- To pay Program Expenses
- To make required deposits into the Subordinated Debt Service Fund
- To maintain the applicable requirements of such other funds and accounts specified under the General Resolution

See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**".

#### **Additional Bonds**

The General Resolution authorizes the issuance of additional Bonds for the purpose of paying the costs of Projects and refunding Outstanding Bonds. Additional Bonds may be issued only if Program Income for any 12 consecutive calendar months of the preceding 18 calendar months was at least equal to 2.25 times the maximum aggregate Principal and Interest Requirement in any Bond Year for all Outstanding Bonds. The General Resolution defines Outstanding Bonds, as of any particular date, as all Bonds theretofore and thereupon being delivered except:

- Any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Registrar
- Any Bond deemed to have been defeased pursuant to the General Resolution
- Any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution

In addition, upon the issuance of such additional Bonds the amount on deposit in the Reserve Fund must at least equal the Debt Service Reserve Requirement. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION; Additional Bonds**".

### Forecasted Debt Service Coverage

Table V-2 shows the forecasted coverage of annual debt service on the Outstanding Bonds, based on the Department's estimated Registration Fees for 2002-2011. See "REGISTRATION FEES; Estimated Future Registration Fees". There can be no assurance that the estimated Registration Fees will be realized in the amounts shown. The annual debt service amounts in Table V-2 includes an assumed Bond issue for approximately \$137 million that would fund the outstanding Notes. Table V-3 provides the expected amortization of the Notes.

**Table V-2**  
**Debt Service on Outstanding Transportation Revenue Bonds and**  
**Estimated Revenue Coverage**

<u>Year Ending</u> <u>(July 1)</u>	<u>Total Debt Service<sup>(a)</sup></u>	<u>Estimated</u> <u>Revenue</u> <u>(Millions)<sup>(b)</sup></u>	<u>Estimated</u> <u>Coverage</u> <u>Ratio<sup>(c)</sup></u>
2002	97,497,231.76	\$ 329.00	3.37
2003	109,477,297.50	332.00	3.03
2004	109,465,520.00	348.20	3.18
2005	109,445,532.50	354.00	3.23
2006	109,608,247.50	373.20	3.40
2007	107,925,100.00	381.90	3.54
2008	103,648,520.00	403.90	3.90
2009	99,513,945.00	415.40	4.17
2010	86,496,765.00	440.50	5.09
2011	86,532,322.50	455.20	5.26
2012	84,225,210.00		
2013	84,757,935.00		
2014	84,821,120.00		
2015	76,385,157.50		
2016	67,477,682.50		
2017	58,131,407.50		
2018	58,180,607.50		
2019	46,199,602.50		
2020	37,514,880.00		
2021	37,521,245.00		
2022	21,197,380.00		
	<u>\$ 1,676,022,709</u>		

(a) Total Debt Service includes assumed issuance of approximately \$137 million to fund the currently outstanding transportation revenue commercial paper notes.

(b) Excludes interest earnings.

(c) Assumes that no additional bonds will be issued and continuation of current registration fees. Estimates of revenue and coverage beyond 2011 are not shown.

**Table V-3**  
**Amortization Schedule<sup>(a)</sup>**  
**Amount Due Annually on Transportation Revenue Commercial Paper Notes**  
**Issued to December 1, 2001**

<u>Year Ending July 1</u>	<u>Principal</u>
2002	\$5,295,000
2003	5,550,000
2004	5,825,000
2005	6,110,000
2006	6,425,000
2007	6,760,000
2008	7,120,000
2009	7,500,000
2010	7,905,000
2011	8,345,000
2012	8,810,000
2013	9,310,000
2014	9,840,000
2015	10,410,000
2016	11,010,000
2017	11,655,000
2018	12,340,000
TOTAL.....	<u><u>\$140,210,000</u></u>

<sup>(a)</sup> The State intends to treat each issue of transportation revenue commercial paper as if it were a long-term bond issue by making annual payments on July 1. Each annual payment reflects a principal amortization. The State also intends to make regular payments to the issuing and paying agent; these payment will be applied to pay accrued interest on maturing commercial paper notes.

**Source: Wisconsin Department of Administration.**

**Revisions to Article 9 of the Uniform Commercial Code**

The State has adopted revised Article 9 of the Uniform Commercial Code (UCC), which does not contain a blanket exclusion of governmental liens. (Due to a nonstandard provision, Article 9 as previously in effect in Wisconsin also did not contain that exclusion.) However, Section 9-109 of the UCC provides that Article 9 does not apply to the extent another statute expressly governs the creation, perfection, priority, or enforcement of security interest created by the State. The Revenue Obligations Act governs the creation, perfection, and enforcement (though not the priority) of the security interest provided for in the General Resolution. The Revenue Obligations Act states that no filing is necessary to perfect that security interest. Thus, no financing statements or continuation statements are needed, and the priority of the security interest is governed by the UCC.

**REGISTRATION FEES**

**Current Fees and Registered Vehicles**

Registration Fees as enumerated under Section 341.25, are highway user fees collected by the Department of Transportation from owners of most motor vehicles. Table V-4 summarizes the current types of major Registration Fees authorized under Section 341.25.

**Table V-4  
Current Section 341.25 Registration Fees**

Vehicle	Annual Fee
Automobile	\$45
Trucks	Weight-based fee ranging from \$48.50 to \$1,969.50.
Bus	Fee equal to the fee for a truck of the same weight.
Trailer 12,000 lbs. and under	Fee equal to one-half of the fee for a truck of the same weight.
Trailer over 12,000 lbs.	Fee equal to the fee for a truck of the same weight.
Motor Homes	Weight-based fee ranging from \$48.50 to \$119.50.
Mobile Homes and Camping Trailers	\$15
Motorcycle/Moped	\$23 biennial fee.

Source: Wisconsin Department of Transportation

Table V-5 summarizes the number of motor vehicle registrations in the State, subject to Section 341.25 Registration Fees, for the past ten years.

**Table V-5  
Motor Vehicle Registrations  
1992 to 2001  
(Millions of Vehicles)**

Fiscal Year (June 30)	Automobiles	Trucks <sup>(a)</sup>	Other Vehicles <sup>(a)</sup>	Total	% Change
1992	2.48	1.18	.39	4.05	—
1993	2.45	1.25	.43	4.13	1.98%
1994	2.43	1.31	.41	4.15	0.48
1995	2.42	1.40	.46	4.28	3.13
1996	2.40	1.46	.40	4.26	(0.47)
1997	2.37	1.54	.43	4.34	1.88
1998	2.40	1.67	.44	4.51	3.92
1999	2.40	1.74	.47	4.61	2.22
2000	2.41	1.82	.47	4.70	1.95
2001	2.41	1.92	.53	4.86	3.40

<sup>(a)</sup> "Trucks" include minivans and sport utility vehicles.

"Other Vehicles" include mobile homes, mopeds, buses and several other vehicle types.

Source: Wisconsin Department of Transportation

Table V-6 summarizes the total amount of Section 341.25 registration fee revenues for the past ten years.



**Table V-6**  
**Section 341.25 Registration Fee Revenues**  
**1992 to 2001**  
**(Amounts in Millions)**

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
1992	\$173.6	\$34.1	\$207.7	—
1993	192.7	36.0	228.7	10.1%
1994	198.5	37.1	235.6	3.0
1995	203.7	42.3	246.0	4.4
1996	205.4	43.3	248.7	1.1
1997	207.4	46.8	254.2	2.2
1998	232.4	48.2	280.6	10.4
1999	244.6	50.2	294.8	5.1
2000	255.7	55.1	310.8	5.4
2001	258.6	55.5	313.9	1.0

Source: Wisconsin Department of Transportation

The total amount of Section 341.25 registration fee revenues for fiscal year 2001 are generated from four broad categories of vehicles:

- (1) 38% of total revenues generated from registration of automobiles
- (2) 33% of total revenues generated from registration of large trucks (over 8,000 pounds gross weight)
- (3) 26% of total revenues generated from small trucks, which includes minivans and sport utility vehicles
- (4) 3% of total revenues generated from miscellaneous vehicles, such as buses, trailers, motor homes, mobile homes, motorcycles, and mopeds.

In recent biennial budgets, the Legislature authorized a number of actions that have had an impact on the Registration Fees over the past ten years. These actions increased the level of Registration Fees.

First, the 2001-2003 biennial budget established a uniform \$15 special group license plate issuance and reissuance fee for most special group license plates, effective March 1, 2002.

Second, the 1999-2001 biennial budget changed the registration fees for certain vehicles:

- Decrease registration fees for camping trailers 3,000 pounds or more to \$15.
- Exempt manufactured homes, also called mobile homes, over 45 feet from vehicle registrations (effective October 29, 1999).
- \$10 fee for late registration using the telephone automation program for heavy vehicle registration (effective January 1, 2000).

Third, the 1997-99 biennial budget increased the Registration Fees for most motor vehicles effective December 1, 1997. Registration Fee increases authorized in that budget include:

- \$5 increase in the automobile fee to \$45
- Increase in truck registration fees ranging from \$3.50 to \$119.50
- Increase in the motor home registration fees ranging from \$3.50 to \$8.50

- \$3 increase in the biennial motorcycle/moped fee (effective May 1, 1998)
- \$10 fee for late registrations (effective October 1, 1998)

Finally, the 1991–93 biennial budget increased the Registration Fees for most motor vehicles effective September 1, 1991. Registration Fee increases authorized in that budget include:

- \$15 increase in the automobile fee
- Increase in truck registration fees ranging from \$15 to \$150
- \$15 increase in the motor home fee
- \$6 increase in the biennial motorcycle/moped fee

Interstate truck registration revenues are collected through the International Registration Plan (IRP) and is a component of Program Income. Wisconsin is one of 48 states and three Canadian provinces that participate in the IRP, which is a multi-state compact for the collecting and sharing of large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are split between the participating states on the basis of proportionate mileage.

When reviewing past Section 341.25 registration fee revenues, it is useful to divide total collections into two categories:

- Non-IRP revenues
- IRP revenues

Table V-6 reflects the steady rate of growth that has occurred in non-IRP Section 341.25 revenues over the past ten years. In Fiscal Years 1992, 1993, and 1998 the percentage changes reflect increases in Registration Fees required in those biennial budgets.

### **Estimated Future Registration Fees**

Future Registration Fee revenues depend on the size of the vehicle fleet in subsequent years and the level of fees imposed on the various vehicle types. The methodology for registration fee revenue projections consists of two components:

- Projection of registration by vehicle type by an econometric model developed by the Department, which relates the size of the vehicle fleet to anticipated changes in certain key economic variables
- Adjustment of the econometric model projections based upon historical fleet information

The Department's model has two distinct components:

- Anticipated changes in the size of the State's automobile fleet
- Anticipated changes in the size of the State's truck fleet

The Department's econometric model relates the size of the automobile fleet to the disposable income in the State, the relative price of new autos, the level of unemployment, the size of the driving age population, historical rates of vehicle scrappage, and a measure of consumer confidence. The model relates the size of the truck fleet to the personal income in the State, industrial outlook, vehicle price, vehicle scrappage rates, and the level of unemployment. The long-range economic data used in the model are based on the projections published by Data Resources, Inc.

Table V-7 summarizes projected Section 341.25 Registration Fee revenues for the next ten years. The projections assume normal growth but no increase in the level of registration fees.

**Table V-7**  
**Projected Section 341.25 Registration Fee Revenues**  
**2002 to 2011**

<b>Fiscal Year</b>	<b>Revenues<sup>(a)</sup> (Amounts in Millions)</b>	<b>% Change</b>
2002	\$329.0	—
2003	332.0	0.9%
2004	348.2	4.9
2005	354.0	1.7
2006	373.2	5.4
2007	381.9	2.3
2008	403.9	5.8
2009	415.4	2.8
2010	440.5	6.0
2011	455.2	3.3

<sup>(a)</sup> Includes both IRP and non-IRP Section 341.25 revenues.

Source: Wisconsin Department of Transportation

The Department will monitor Registration Fee revenue as it relates to scheduled debt service payments on the Bonds and payments on the Notes and recommend appropriate adjustments in Registration Fee schedules to the Governor and the Legislature. The State has covenanted in the General Resolution that as long as Bonds and Notes are Outstanding it will charge and cause to be deposited with the Trustee sufficient Program Income, including Registration Fees, to pay principal and interest on such Bonds, as the same become due, to maintain the Reserve Fund at the Debt Service Reserve Requirement, to pay Program Expenses, and to make payments into the Subordinated Debt Service Fund.

### **Registration Fee Collection Procedures**

Registration Fees are collected throughout the fiscal year. In order to smooth out the Department's vehicle registration workload, the Department has staggered vehicle registrations throughout the year. As a result, in Fiscal Year 2001, the flow of quarterly collections of annual Registration Fee revenues ranged from a low of 23.0% to a high of 27.5%. Any future adjustment of Registration Fees may change the monthly distribution of Registration Fees collected.

Pursuant to an agreement between the Department and the Trustee, the Department is the agent of the Trustee with respect to the collection of Registration Fees. The Registration Fees are collected in a number of ways:

- By mail to a lock-box system operated by U.S. Bank, National Association, formerly known as Firststar Bank, National Association (**Bank**)
- Over the counter in field registration stations
- By mail to the Department's Central office in Madison (**Central Office**)
- Via telephone charge card renewal system
- At vehicle emission testing stations
- By State auto and light truck dealers

- Via internet charge card renewal system
- By financial institutions
- By private financial service centers
- By grocery stores
- By law enforcement agencies
- By County Clerk offices

Regardless of the method of collection, all Registration Fees are initially deposited with the Trustee for deposit in the Redemption Fund.

The principal method of collecting non-IRP Registration Fees is registration renewals by mail, which are sent directly to the Bank operating the lock-box system as agent for the Trustee. Under this lock-box system the vehicle owner mails the renewals to the Bank. The renewal includes a check payable to "Registration Fee Trust" and an enclosure with relevant registration information on it. The Bank is to deposit its receipts of Registration Fees daily with the Trustee for deposit in the Redemption Fund.

Over-the-counter collections take place in 29 field registration stations throughout the State. These offices collect Registration Fees on behalf of the Trustee, as well as driver license fees, title fees, lien fees, salesman's license fees, permit fees, disabled identification card fees, and various other Department charges. The Department's financial system is a transaction-based computer system with the field stations linked to the Department's Central Office by terminal. All transactions are summarized daily and reported to the Central Office. The stations deposit their collections in an account in the Trustee's name for deposit in the Redemption Fund.

Collections at the Central Office differ from field-office collections in that it is primarily IRP payments and mail applications that are processed. IRP payments consist of checks submitted by individual truck operators, as well as checks generated by other states transmitting IRP payments to the State. Mail applications handled through the Central Office are primarily associated with the registration of vehicles that involve the transfer of ownership. All checks and cash collected through the Central Office are delivered to the Trustee for deposit in the Redemption Fund.

Telephone charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through a touch-tone phone. The Department has contracted with a vendor to handle the voice response equipment and transmission of data. The vendor transfers all monies collected daily, from these transactions, through a wire transfer to the Trustee for deposit in the Redemption Fund. A service fee is charged to registrants to use this option.

The Department has a contract with a vehicle emission contractor to collect Registration Fees at emission testing stations. After a successful emission test, a registrant may choose to renew their registrations at a testing station. Under this method, the emission testing station is treated like a field registration station with direct connection to the Central Office's terminal. A service fee is charged to registrants to use this option. All twelve emission inspection locations provide registration renewal service.

The Department also has a series of contracts with car and light truck dealers to process vehicle title and registration and transmit such information electronically to the Department through an interface managed by a third-party vendor. The contracts provide an electronic interface between the Department and the dealer's data processing systems. The dealer collects registration and

other fees that are electronically transferred daily from their bank accounts to the Department by the third-party vendor. A service fee is charged to registrants to use this option.

Internet charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through the Internet. The Department has contracted with a vendor to handle the interfaces and transmission of data. The vendor transfers all monies collected from these transactions daily, through a wire transfer to the Trustee for deposit in the Redemption Fund. A service fee is charged to registrants to use this option.

The Department has contracts with financial institutions to process titles and registrations and transmit the information through an electronic interface provided by a separate vendor to the Department and financial institution. The financial institution collects registration and other fees that are electronically transferred daily from the financial institution to the Trustee for deposit into the Redemption Fund. A service fee is charged to registrants to use this option.

Registrants may renew vehicle registrations at private financial service centers. The Department has contracted with a separate vendor to handle the electronic interface and transmission of data. The financial service centers collect registration fees that are electronically transferred daily from the center to the Trustee for deposit into the Redemption Fund. A service fee is charged registrants to use this service.

Registrants may also renew vehicle registration at participating grocery stores, law enforcement agencies, and County Clerk offices. The Department has contracted with a separate vendor to handle the electronic interface and transmission of data. The grocery stores, law enforcement agencies, and County Clerk offices collect registration fees that are electronically transferred daily from the participating agent to the Trustee for deposit into the Redemption Fund. A service fee is charged registrants to use this option.

## **PROJECTS**

Security on the Bonds or Notes is not dependent upon projects built with Bond or Note proceeds.

Bond and Note proceeds are used to finance a portion of major highway projects enumerated in the Statutes for construction. A major highway project is defined as a project which has a total cost of more than \$5 million and which involves one or more of the following:

- Constructing a new highway 2.5 miles or more in length
- Relocating 2.5 miles or more of an existing highway
- Adding one or more lanes, 5 miles or more to an existing highway
- Improving 10 miles or more of existing multi-lane divided highway to freeway standards

All state highway improvement projects, including authorized major highway projects, are scheduled in the Department's six-year highway improvement program. The six-year program, updated on a biennial basis, serves as a basic tool for the Department's long-term improvement plans and construction programs.

The Department currently has statutory authority to issue a total of \$1.753 billion of obligations to finance a portion of such major highway projects. Construction of major highway projects uses moneys from the following sources:

- Bond or Note proceeds
- Federal aid

- Moneys in the Transportation Fund which may be appropriated for such purposes

The major highway projects enumerated by statute for right-of-way acquisition and construction consists of 80 major highway projects and certain transportation administrative facilities. Of the 80 enumerated major highway projects, the Department has completed construction on 47 projects.

Requests for additional information about the major highway projects funded or to be funded with proceeds of transportation revenue obligations may be directed as follows:

*Contact:* Wisconsin Department of Transportation  
Attn: Office of Policy and Budget

*Phone:* (608) 261-8628

*Mail:* 4802 Sheboygan Avenue  
P.O. Box 7910

Madison, WI 53707-7910

*E-mail:* [jim.hoelzel@dot.state.wi.us](mailto:jim.hoelzel@dot.state.wi.us)

## VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remains outstanding, transportation revenue commercial paper notes (**Notes**).

### **General**

The State has appointed Lehman Brothers and Bear, Stearns & Co. Inc. to serve as **Dealers** for the Notes. The State has appointed Bankers Trust Company to serve as **Issuing and Paying Agent** for the Notes.

The State has appointed The Depository Trust Company (**DTC**) to serve as **Depository** for the Notes. The State has entered into a **Credit Agreement**, as amended, with the **Banks** — Westdeutsche Landesbank Girozentrale, acting through its New York Branch, and Bayerische Landesbank Girozentrale, acting through its New York Branch. This Credit Agreement provides a commitment (**Commitment**) that the Banks severally provided an irrevocable standby letter of credit for a stated amount of \$160,000,000 for the payment of principal of and interest on the Notes (**Liquidity Facility**).

The State issued one series of Notes in the initial issue amount of \$154,750,000 and \$136,673,000 remain Outstanding.

The Commission may adopt additional Supplemental Resolutions authorizing the issuance of additional Notes.

### **Description of the Notes**

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of \$100,000 or increments of \$1,000 above \$100,000.

The Notes are not callable prior to maturity.

Each Note will mature from one to 270 days from its issue date. Also, no Note may be issued with a maturity date later than the expiration date of the Liquidity Facility.

Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance, payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of each Note will be made to the Depository and then distributed by the Depository.

## **Liquidity Facility**

The State and the Banks have entered into a Credit Agreement, dated as of May 7, 1997, as amended, which provides a commitment for the issuance of an irrevocable letter of credit in the stated amount up to \$160,000,000. In order to assure timely payment of principal and interest on the Notes and the Notes coming due from time to time, the Banks have issued pursuant to the terms and conditions of the Credit Agreement to the Issuing and Paying Agent, as beneficiary, an irrevocable standby letter of credit in a stated amount of \$160,000,000 (the "Letter of Credit"). The stated termination date of the Letter of Credit is currently May 6, 2002, subject to extension as provided for in the Credit Agreement. The obligations of the Banks to make payment under the Letter of Credit are several and not joint.

If any Bank shall make a payment under the Letter of Credit and the State does not reimburse such Bank on the same business day, then such payment shall constitute a Liquidity Advance under the Credit Agreement. If any Bank shall make a payment under the Letter of Credit and (i) the State does not reimburse such Bank on the same business day, and (ii) certain conditions contained in the Credit Agreement are not fulfilled, such payment shall constitute a Default Advance under the Credit Agreement (Liquidity Advances and Default Advances are collectively referred to as an **Advance**). The aggregate principal amount of all Advances made on any date may not exceed the outstanding Stated Amount of the Letter of Credit.

The State's obligation to repay such Advances will be evidenced by its delivery to each Bank of one or more promissory notes (**Promissory Note**) in an aggregate principal amount equal to the amount of all Advances authorized under the Credit Agreement. The Promissory Note is payable solely from Program Income deposited into the Subordinated Debt Service Fund, as set forth in the Supplemental Resolution, and the Promissory Note ranks equally with the Notes.

In addition, if any Event of Default as defined in the Credit Agreement occurs, the Banks may deliver to the State and Issuing and Paying Agent a notice upon receipt of which the State shall cease issuing Notes. Upon receipt of a No-Issuance Notice, the State shall cease issuing Notes unless and until such No-Issuance Notice is rescinded. A No-Issuance Notice shall not affect the obligation of the Banks to make Advances with respect to the payment of Notes issued prior to the receipt by the State of such No-Issuance Notice.

The State is permitted to replace the Credit Agreement with another comparable agreement or agreements with any other liquidity facility provider provided that such substitution meets all required qualifications, including, but not limited to, written evidence from each rating agency which, at the request of the State, is then rating the Notes and which is then also rating the provider (or its guarantor) of the proposed substitute liquidity facility to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension or reduction of its ratings of the Notes from those which then prevail. Any such substituted Liquidity Facility Agreement may have covenants, conditions to borrowing and other provisions different from those referred to above. The State will notify the Dealers of any change in the Liquidity Facility. The State will also notify each nationally recognized municipal securities information repository (**NRMSIR**) of any change in the Liquidity Facility.

## **Description of the Banks**

### *Westdeutsche Landesbank Girozentrale*

Westdeutsche Landesbank Girozentrale (**WestLB**), which traces its history to 1832, was created by the merger of two central banks, or Landesbanks (German State Banks), in the State of North Rhine-Westphalia, the Federal Republic of Germany (**Germany**) on January 1, 1969. As a German universal bank, WestLB provides commercial and investment banking services

regionally, nationally and internationally to public, corporate and bank customers. WestLB is the largest of the Landesbanks and, on the basis of total assets at December 31, 1999, was the fourth largest bank in Germany. At December 31, 2000, WestLB had total assets of approximately Euro (E or **Euros**) 304 billion (US\$ 283 billion).

WestLB also performs the functions of a state and municipal bank for the State of North Rhine-Westphalia and acts as the central bank of the Sparkassen (savings banks) in North Rhine-Westphalia (Germany's most populous state). It conducts a comprehensive range of wholesale banking business and has the power to issue mortgage bonds, municipal bonds and other bonds and is the largest continuous issuer of long term debt in Germany. In its capacity as central bank, WestLB acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. As a state bank, WestLB provides trustee services for State-supported lending programs for housing, regional economic assistance, middle market firms and environmental protection. Internationally, the WestLB Group operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

Pursuant to a guaranty obligation (Gewährträgerhaftung) set forth in Section 37 of the North Rhine-Westphalia Savings Bank Act and Section 5 of the Ordinances of WestLB, North Rhine-Westphalia together with the other guarantors specified therein (including regional authorities and savings bank associations) are jointly and severally liable without restriction for all obligations of WestLB, including all obligations of WestLB New York. The guaranty obligation gives creditors a direct claim against North Rhine-Westphalia only if the claims of the creditors have not first been satisfied out of the assets of WestLB, including the assets of WestLB New York.

In addition to being liable under the guaranty obligation, North Rhine-Westphalia, having established WestLB, is responsible to WestLB for the performance of WestLB's obligations, including all obligations of WestLB New York. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia, requires North Rhine-Westphalia to keep WestLB in a position to perform its functions and to enable it, in the event of financial difficulties, to perform its obligations, when due.

The New York Branch of WestLB (**WestLB New York**) is licensed and subject to supervision and regulation by the Superintendent of Banks of the State of New York. WestLB New York is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition to being subject to New York banking laws and regulations, WestLB and WestLB New York are also subject to the International Banking Act of 1978 (**IBA**) and the Foreign Bank Supervision Enhancement Act of 1991, and WestLB is subject to federal regulation under the IBA and the Bank Holding Company Act of 1956.

In the fiscal year ended December 31, 2000, WestLB's total assets decreased by 1% from E 308 billion to E 304 billion. As of December 31, 2000, WestLB's total business volume expanded by 1% from E 396 billion to E 399 billion. WestLB's capital and declared reserves increased by 5% to E 14,672 million as of December 31, 2000 (as compared to E 13,963 million as of December 31, 1999).

WestLB's operating profit before risk provisions/reserves of E 529 million (US\$ 492 million) decreased by 14% from the previous year. Interest surplus decreased by 12% (from E 2,010 million in 1999 to E 1,768 million in 2000). Commission surplus increased by 63% (from E 366 million in 1999 to E 597 million in 2000). Staff expenses went up by 17% to E 1,061 million



(US\$ 987 million) in 2000, with other administrative expenses showing an increase of 17% to E 936 million (US\$ 871 million) in 2000. As a result, West LB's operating result before risk provisions/result of evaluation of E 809 million as of December 31, 2000 increased by 4% (from E 776 million in 1999)

The financial information for the year ended December 31, 2000 is derived from the audited statements of WestLB, does not include the consolidated subsidiaries of the WestLB Group and has been prepared in accordance with accounting principles, practices, laws and regulations generally accepted in Germany. German accounting principles differ in certain respects from accounting principles generally accepted in the United States.

Unless indicated otherwise, currency amounts are stated in Euro (**E** or **Euros**) or United States dollars (**US\$** or **U.S. dollars**). Merely for the convenience of the reader, this summary contains translations of certain Euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Euro into U.S. dollars have been made at E = US\$ 0.9305, which was the official (Frankfurt fixing) exchange rate on December 29, 2000. In certain instances, figures reflect the effect of rounding.

#### *Bayerische Landesbank Girozentrale*

Bayerische Landesbank Girozentrale was incorporated as a public law financial institution (Rechtsfaehige Anstalt des Oeffentlichen Rechts) by the Law Establishing Bayerische Landesbank Girozentrale (Gesetz ueber die Errichtung der Bayerischen Landesbank Girozentrale) of June 27, 1972, as amended, as adopted by the Parliament of the Free State of Bavaria, and is subject to the German Federal Banking Act of July 10, 1961, as amended (Gesetz ueber das Kreditwesen) (**Federal Banking Act**). Its statutes authorize Bayerische Landesbank Girozentrale to provide universal financial services including both commercial and investment banking as well as brokerage activities. The Free State of Bavaria owns 50% of Bayerische Landesbank Girozentrale's share capital, the other 50% being owned by the Bavarian Savings Bank and Clearing Association (Bayerischer Sparkassen-und Giroverband) (which is the central organization of the Bavarian Savings Banks).

Bayerische Landesbank Girozentrale is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, Bayerische Landesbank Girozentrale also makes use of the Bavarian Savings Bank's network. In the domestic field, Bayerische Landesbank Girozentrale places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. Bayerische Landesbank Girozentrale holds the function of a banker of the Free State of Bavaria and its municipalities, and also finances public and private development projects, administers public funds and performs certain treasury functions for the Free State of Bavaria.

The Free State of Bavaria and the Bavarian Savings Bank and Clearing Association are jointly and severally liable for the obligations of Bayerische Landesbank Girozentrale if the liabilities cannot be satisfied from the Bayerische Landesbank Girozentrale's assets (Gewahrtraeger). The owners of Bayerische Landesbank Girozentrale also have an obligation to maintain Bayerische Landesbank Girozentrale in a financial position that enables it to carry out its functions. This liability (Anstaltslast), which is peculiar to German law, obliges the owners to provide funds for Bayerische Landesbank Girozentrale that are necessary to enable it to fulfill its functions, to meet its liabilities and to keep its finances sound. As an additional safeguard, it is noted that as a public law institution Bayerische Landesbank Girozentrale can only be put into liquidation through a specific law to this effect.

Bayerische Landesbank Girozentrale established a Representative Office in New York in October 1979 and obtained a license from the office of the Comptroller of the Currency in October 1981 to operate through a branch located in the City of New York.

The New York Branch engages in a diversified banking business, and is a major wholesale lending participant throughout the United States, offering a full range of domestic and international financial services, including loans, foreign exchange and money market operations.

All banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Banking Supervisory Authority (Bundesaufsichtsamt fuer das Kreditwesen), an independent federal authority with regulatory powers and by the Deutsche Bundesbank (**German Federal Central Bank**) in accordance with the Federal Banking Act. The Federal Banking Act contains major rules for banking supervision and regulates the Bayerische Landesbank Girozentrale's business activities, capital adequacy and liquidity. In addition to the above-mentioned general banking supervision, the group of Landesbanks is subject to special supervision by their respective federal states.

As reported in Bayerische Landesbank Girozentrale's Annual Report for the Fiscal Year ended December 31, 2000, the bank had total assets of E 285.5 billion (E 305.0 billion on a consolidated basis). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 8.9% to E 304.3 billion from the previous year end. Bayerische Landesbank Girozentrale's consolidated lending volume increased by E 9.3 billion to E 203.2 billion from year end 1999. Total equity of Bayerische Landesbank Girozentrale, including, among other items, nominal capital of E 0.97 billion, profits participation rights with a nominal value of E 2.57 billion, and capital contributions of silent partners in an amount of E 2.75 billion, totaled E 10.3 billion, or 3.6% of the unconsolidated balance sheet. Net income after tax was E 493.0 million, an increase of 7.8% compared to year end 1999. E 425 million of such amount has been allocated to revenue reserves, raising the bank's published reserve to E 3.91 billion. The accounting principles applied in the preparation of the Bayerische Landesbank Girozentrale's financial statements comply with generally accepted accounting principles in the Federal Republic of Germany and may not conform to generally accepted accounting principles applied by United States banks.

The rate of exchange between the E and the dollar is determined by the forces of supply and demand in the foreign exchange markets, which, in turn, are affected by changes in the balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The foregoing information relating to Bayerische Landesbank Girozentrale is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. Bayerische Landesbank Girozentrale shall have no obligation to update the foregoing information to reflect any such change.

Copies of Bayerische Landesbank Girozentrale's Annual Report for the most recent available fiscal year may be obtained at the New York Branch in person during normal business hours or by mail by writing to the New York Branch at: Bayerische Landesbank Girozentrale, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

Bayerische Landesbank Girozentrale has supplied the information relating to it in the previous paragraphs. Bayerische Landesbank Girozentrale does not accept responsibility for any information contained in this Annual Report other than the information contained in this Section relating to the Bayerische Landesbank Girozentrale.

## **SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**

The General Resolution contains various covenants and security provisions, certain of which are summarized below. In general, this Section does not summarize any provisions of the Series Resolutions. Reference should be made to the General Resolution for a full and complete statement of its provisions.

### **Resolution to Constitute Contract**

The provisions of the General Resolution shall be a part of the contract of the State with the holders of Bonds and shall be deemed to be and shall constitute a contract among the State, the Trustee and the holders from time to time of the Bonds and shall be for the equal benefit, protection and security of the holders of any and all of such Bonds.

### **Provisions for Issuance of Bonds**

The General Resolution authorizes Bonds of a Series to be issued from time to time in accordance with the terms of the General Resolution without limitation as to amount except as provided by law. Bonds shall be issued pursuant to authorization by a Series Resolution containing the provisions specified by the General Resolution. Following issuance of the initial Series of Bonds, the Commission must determine that the additional obligations test set forth in the General Resolution is met prior to adopting any Series Resolution for other than refunding purposes. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

- (1) A Bond Counsel's opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State and in accordance with the General Resolution; and,
- (2) The proceeds of the Bonds of such Series to be deposited with the Trustee pursuant to the General Resolution.

### **Additional Bonds**

Following the initial issuance of Bonds, the State will not create or permit the creation of, or issue any obligations or create any indebtedness which shall be secured by a superior or equal charge and lien on the Program Income, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Program Income. However, no additional Series of Bonds shall be issued subsequent to the initial Series of Bonds unless:

- (1) The principal amount of the additional Bonds together with the principal amount of the Outstanding Bonds will not exceed in aggregate principal amount any limitation thereon imposed by law;
- (2) Except in the case of refunding Bonds, there shall be filed with the Trustee a Certificate of an Authorized Officer of the Commission and the Department stating that Program Income, including interest earnings on amounts deposited in the Funds or Accounts held by the Trustee and available for debt service, for any twelve (12) consecutive calendar months of the preceding eighteen (18) calendar months, was equal to at least 2.25 times the maximum aggregate Principal Requirement and Interest Requirement for any Fiscal Year for all Outstanding Bonds (the General Resolution defines Outstanding Bonds to include the Bonds being issued upon the delivery of such Certificate);

- (3) Upon the issuance and delivery of the additional Bonds, the amount credited to the Reserve Fund shall be at least equal to the Debt Service Reserve Requirement immediately after issuance; and
- (4) All requirements with respect to adoption of Series Resolutions have been complied with.

### **Refunding Bonds**

The State may issue refunding Bonds of one or more Series to refund any Outstanding Bonds of one or more Series whether by payment at maturity or by redemption. Refunding Bonds shall be issued pursuant to and in accordance with the provisions of a Series Resolution authorizing such refunding Bonds.

### **Application of Bond Proceeds**

The proceeds of sale of a Series of Bonds shall be deposited as follows:

- (1) To the Principal and Interest Account of the Redemption Fund, the amount of any accrued interest on the Series of Bonds to their date of delivery;
- (2) To the Principal and Interest Account of the Redemption Fund, the amount of any premium determined by the applicable Series Resolution, or specified in a certificate of an authorized officer of the Commission;
- (3) To the Principal and Interest Account of the Redemption Fund, the proceeds of any Series of refunding Bonds to the extent provided in the applicable Series Resolution;
- (4) To the Reserve Fund, the amount specified in the Series Resolution as necessary to establish or increase the amount set aside therein to the Debt Service Reserve Requirement;
- (5) To any other Fund or Account to the extent permitted by the Revenue Obligations Act provided for by Series Resolution; and
- (6) To the Program Capital Fund, the balance of the proceeds of any Series of Bonds, which shall be allocated:
  - (a) to the Capitalized Interest Account, the amount of capitalized interest, if any, determined by the applicable Series Resolution to be deposited; and
  - (b) to the Program Account, the balance of the proceeds of any Series of Bonds.

### **Establishment of Funds**

All Program Income and other moneys or securities held by the Trustee pursuant to the General Resolution are revenues of the Trustee and are revenues outside of the State Treasury which shall be held in trust and applied only in accordance with the provisions of the General Resolution. The General Resolution establishes and creates the following trust funds that are to be held by the Trustee:

- (1) Program Capital Fund, which consists of a Capitalized Interest Account and a Program Account;
- (2) Redemption Fund, which consists of a Principal and Interest Account and a Program Income Account;
- (3) Reserve Fund; and
- (4) Program Expense Fund.

The General Resolution authorizes the creation of other Funds and Accounts for a particular Series of Bonds by the applicable Series Resolution.

### **Capitalized Interest Account**

Amounts in the Capitalized Interest Account, if any, shall be transferred to the Principal and Interest Account of the Redemption Fund to be used for payment of capitalized interest on the Bonds in accordance with the schedule set forth in a Series Resolution or in a Certificate of an Authorized Officer of the Building Commission delivered to the Trustee. Amounts in the Capitalized Interest Account shall also be transferred to the Principal and Interest Account of the Redemption Fund for redemption of Bonds (1) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, and (2) in accordance with the provisions of the terms of a Series Resolution with respect to the Series of Bonds authorized by such Series Resolution.

### **Program Account**

Amounts in the Program Account shall be used solely for the following purposes:

- (1) Paying the Costs of Issuance;
- (2) Financing Projects in accordance with the Act and the General Resolution; and
- (3) Transfers to the Principal and Interest Account of the Redemption Fund to pay interest on the principal of or Redemption Price of Outstanding Bonds (a) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, (b) in accordance with the provisions of the terms of a Series Resolution, and (c) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that there are no further Projects to be funded from the Program Account.

### **Redemption Fund**

There shall be deposited into the Principal and Interest Account of the Redemption Fund from the proceeds of the sale of the Bonds, immediately upon receipt thereof, an amount equal to the accrued interest and any premium paid upon the sale of the Bonds and the proceeds of any Series of refunding Bonds. All Program Income shall be deposited promptly with the Trustee (or with national banking associations, state banks or trust companies acting as agents of the Trustee for transfer daily to the Trustee) and such amounts shall be deposited in the Program Income Account of the Redemption Fund. There shall also be deposited in the Program Income Account of the Redemption Fund any other amounts required or permitted to be deposited therein pursuant to the General Resolution.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of Bonds representing accrued interest and any premium shall be set aside and applied to the payment of interest on the next succeeding Interest Payment Date and any additional Interest Payment Dates specified in the Series Resolution or a Certificate of an Authorized Officer of the Building Commission.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of refunding Bonds shall be applied to the payment or redemption of Bonds as provided in the Series Resolution.

Commencing on the date of issuance of the Bonds and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited and thereafter on each Redemption Fund Deposit Day (the first day of January, April, July, and October), and continuing each succeeding business day until the amounts required in (1) through (5) of this

paragraph are deposited, the Trustee shall immediately transfer aside from the amounts deposited in the Program Income Account, in the following order of priority:

- (1) To the Principal and Interest Account, after giving effect to:
  - (a) amounts to be available from accrued interest and in the Capitalized Interest Account, and
  - (b) any balance in the Principal and Interest Account on each Redemption Fund Deposit Day, and
  - (c) amounts transferred from the Reserve Fund, and
  - (d) amounts transferred from the Program Expense Fund, an amount equal to the Interest Requirement with respect to Outstanding Bonds, and
- (2) To the Principal and Interest Account, after giving effect to any balance in the Principal and Interest Account in excess of the Interest Requirement an amount equal to the Principal Requirement on the Outstanding Bonds, and
- (3) To the Reserve Fund, an amount equal to any deficiency in the Reserve Fund, and
- (4) To the Program Expense Fund created in the General Resolution, an amount equal to any unfunded portion of the Program Expenses payable over the next three months according to the General Resolution, and
- (5) To the Subordinated Debt Service Fund created for the Notes, an amount equal to the Subordinated Debt Service Fund Requirement.

Immediately upon meeting the requirements set forth above, amounts in the Program Income Account of the Redemption Fund, including any interest earned thereon, in excess of the amounts required to be set aside above, shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

To the extent not otherwise provided for in the Series Resolution applicable to any Series of Bonds, on the first day of each Fiscal Year and prior to any of the transfers by the Trustee that day specified above, all amounts in the Principal and Interest Account shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

### **Payment of Bonds**

The Trustee is required to pay to the Registrar and Paying Agent for the Bonds on or before each Interest Payment Date, (1) the amount equal to interest due on the Outstanding Bonds on such date, (2) the amount equal to the principal amount of Outstanding Bonds maturing on such date and (3) the amount equal to the Redemption Price of any Outstanding Bonds to be redeemed on such date, and in each such case, such amounts shall be applied by such Registrar and Paying Agent to such payments.

There shall be deposited in the Principal and Interest Account of the Redemption Fund any amounts which are required to be deposited therein pursuant to the General Resolution, a Series Resolution and any other amounts available therefor and determined by the State to be deposited therein for the purpose of redeeming Bonds. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective resolutions authorizing the issuance thereof and authorizing the issuance of refunding Bonds, all amounts deposited in the Principal and Interest Account of the Redemption Fund in accordance with the provisions described in this paragraph shall be set aside and applied to the payment, purchase or redemption of Bonds.

### **Purchase of Bonds**

Except as may be otherwise provided in connection with the issuance of refunding Bonds, at any time prior to the forty-fifth (45th) day upon which Bonds are to be paid or redeemed from the amounts described in the preceding paragraph, the Trustee may upon receipt of written instructions signed by an Authorized Officer of the Building Commission apply such amounts to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit in the Principal and Interest Account of the Redemption Fund. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Building Commission shall direct. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond or the Redemption Price of such Bond on the next Redemption Date for such Bonds.

### **Program Expense Fund**

On the first day of January, April, July, and October, the Trustee shall immediately transfer amounts on deposit in the Program Income Account to the Program Expense Fund for the purpose of paying Program Expenses for the succeeding three months as set forth in the annual budget prepared by the Department, but only upon a Certificate of an Authorized Officer of the Department stating that the amounts are required and have been or will be expended for purposes for and to which the Program Expense Fund may be used and applied.

### **Reserve Fund**

If on any Interest Payment Date, Principal Installment Date, or Redemption Date for the Bonds, the amount in the Principal and Interest Account of the Redemption Fund shall be less than the amount required for the payment of interest, principal or Redemption Price on Outstanding Bonds on such date, the Trustee shall apply assets in the Reserve Fund to the extent necessary to make good the deficiency.

In the event there is a deficiency in the Reserve Fund, it shall be made up from the Redemption Fund after both the Interest Requirement and the Principal Requirement with respect to Outstanding Bonds have been met. Monies flow to the Redemption Fund commencing on the date of issuance of a Series of Bonds or on a Redemption Fund Deposit Day, whichever is earlier.

On the first day of each Fiscal Year, income and earnings from Investment Obligations in the Reserve Fund shall be transferred to the Principal and Interest Account to the extent such transfer will not reduce the amount in the Reserve Fund below an amount equal to the Debt Service Reserve Requirement.

### **Investments and Deposits**

Subject to instructions from time to time received from an Authorized Officer of the Building Commission and to the provisions of the General Resolution, moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Obligations that may be reasonably known to the Trustee to the extent the same are authorized by the applicable Series Resolution and at the time legal for investment of funds under the Act, the Revenue Obligations Act and other applicable law. Investments shall be made with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds.

Investment Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the General Resolution shall be deemed at all times to be part of such Fund or Account but the income or interest earned and gains realized from Investment

Obligations held by the Reserve Fund and Program Expense Fund in excess of the requirements of said Funds shall be transferred to the Principal and Interest Account on the first day of each Fiscal Year.

The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to the General Resolution whenever it shall be necessary in order to provide moneys to meet any payments or transfers from the Fund or Account for which such investment was made.

In computing the amount in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the 20<sup>th</sup> day of each March, June, September and December and as otherwise required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

The Trustee shall invest and reinvest the moneys in any Fund or Account in available Investment Obligations so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which monies are needed to be so expended.

Investment Obligations means any of the investments described under “GLOSSARY”.

#### **Powers as to Bonds and Pledge**

The State covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Program Income purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

#### **Payment Covenant**

The State covenants that it will duly and punctually pay or cause to be paid, but solely from sources as provided in the General Resolution, the principal and Redemption Price of every Bond and the interest thereon, on the dates and at the places and in the manner stated in the Bonds according to the true intent and meaning thereof.

#### **Tax Covenants**

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

The State and the Trustee shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the State to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148 of the Code.

The State and the Trustee shall not permit at any time or times any proceeds of any Bonds or any other funds of the State to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103 of the Code, as from time to time amended, by reason of the classification of such Bond as a “private activity bond” within the meaning of Section 141 of the Code.

The State reserves the right to elect to issue Bonds, the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants as to tax exemption shall not apply to such Bonds.



## **Funds and Reports**

The Department covenants that it will keep, or cause to be kept and maintained proper books of account relating to the Program and within 120 days after the end of each Fiscal Year shall cause such books of account to be audited by an Accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Program (including a schedule of monthly Program Income) as of the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transaction relating to the Funds, shall be filed promptly with the Trustee and shall be available for inspection by any Bondholder. See “AUDITED FINANCIAL STATEMENTS” in this Part V of the Annual Report.

## **Budgets**

The Department must file an annual budget broken down on a quarterly basis covering the fiscal operations of the Program for the succeeding Fiscal Year not later than the first day of each Fiscal Year with the Trustee. Such budget need not be the budget prepared by the Department for the Department’s budgeting purposes. The annual budget shall at least set forth for such Fiscal Year the estimated Program Income, the debt service due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. The Department may at any time file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided for the filing of the annual budget. Copies of the annual budget as then amended and in effect shall be made available by the Trustee during normal business hours in the Trustee’s office for inspection by any Bondholder.

## **The Program**

The State covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the Revenue Obligations Act, the provisions of the General Resolution and sound banking practices and principles to:

- (1) Use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Projects, pursuant to the Act, the Revenue Obligations Act and the General Resolution
- (2) Do all such acts and things as shall be necessary to charge and cause to be deposited with the Trustee Program Income sufficient to pay interest and principal and redemption premium on all Outstanding Bonds, to maintain the Debt Service Reserve Requirement in the Reserve Fund, to maintain any Credit Support and Liquidity Fund Requirement provided for in a Series Resolution, to pay Program Expenses
- (3) Maintain any Subordinated Debt Service Fund Requirement provided for in a Series Resolution.

## **Power of Amendment**

The Building Commission may, from time to time and without the consent and concurrence of any holder of any Bond, adopt a Supplemental Resolution modifying or amending the General Resolution if the modification or amendment does not adversely affect the holders of the Outstanding Bonds.

Any modification of or amendment to the General Resolution which does affect the rights and obligations of the State and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with the written consent given as provided in the General Resolution, (1) of the holders of at least two-thirds in principal amount of the Outstanding Bonds at the time such consent is given, (2) in case less than all of the several Series of Bonds then Outstanding are

affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the General Resolution or Series Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

### **Events of Default**

It is an Event of Default if:

- (1) Payment of any installment of interest on the Outstanding Bonds shall not be made after the same shall become due
- (2) Payment of the principal of, Redemption Price or any Sinking Fund Installment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due
- (3) The State shall fail or refuse to comply with the provisions of the General Resolution including replenishment of the Reserve Fund, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Resolution or in any Supplemental or Series Resolution or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee or the holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds.

### **Remedies**

Upon the happening and continuance of any Event of Default specified in clauses (1) and (2) under Events of Default above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) under Events of Default above, the Trustee may proceed and, upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action, or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the State to charge and cause to be deposited with the Trustee sufficient Program Income and to require the State to carry out the covenants and agreements with Bondholders and to perform its duties under the Act, the Revenue Obligations Act and the General Resolution; (b) by bringing suit upon the Bonds, by action or suit in equity, to require the State to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with written consent of the

holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Investment Obligations.

Before declaring the principal of Bonds due and payable upon an Event of Default, the Trustee shall first give thirty (30) days' notice in writing to the Governor and Attorney General of the State.

### **Priority of Bonds After Default**

In the event that upon the happening and continuance of an Event of Default, the Funds or Accounts held by the Trustee, Registrar and Paying Agent are insufficient for the payment of interest, principal or Redemption Price then due on the Bonds, such Funds or Accounts (other than portions of Funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act, the Revenue Obligations Act and the General Resolution, after making provisions for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or the Registrar and Paying Agent in the performance of their respective duties under the General Resolution, are to be applied as follows:

- (1) If the principal of all of the Bonds has not become or been declared due and payable:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order or maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

*Second:* To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

- (2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

### **Limitation on Rights of Bondholders**

No individual Bondholder shall have any right to initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Outstanding Bonds have made written request of the Trustee after the right to exercise such right of action has occurred, and shall have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a

reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the State to pay the same from the source, at the time and place specified in said Bond.

### **Compensation of Fiduciaries**

Each Fiduciary is entitled to such fees and reimbursement as shall be established in an agreement between the Commission and such Fiduciary by the Trustee from the Program Expense Fund (except that the agreement for Registrar shall be between the State Treasurer and the Registrar). Each Fiduciary shall have a lien for such fees and reimbursement on any and all Funds at any time held by it under the General Resolution.

### **Removal of Trustee**

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Outstanding Bonds excluding any Bonds held by or for the account of the State. The State may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as the State may determine in its sole discretion. In either such event, a successor is required to be appointed.

### **Defeasance**

If the State shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of Program Income and other monies, securities and funds thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if:

- (1) In case any of the Bonds to be redeemed on any date prior to their maturity, the State has given to the Trustee in form satisfactory to it, irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds
- (2) There has been deposited with the Trustee either monies in an amount which are sufficient, or Investment Obligations which are direct obligations of or obligations guaranteed by the United States of America or other obligations, the payment of which is provided for by an irrevocable escrow deposit invested in direct obligations of the United States of America, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be
- (3) In the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State has given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least once in an Authorized Newspaper a notice to the holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal of and Redemption Price on said Bonds.

Neither the Investment Obligations nor the monies so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal of, Redemption Price and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose may, to the extent practicable and legally permitted, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal of, Redemption Price and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments may be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

## GLOSSARY

This Glossary includes definitions from the General Resolution and the Series Resolutions that apply to capitalized terms used in this Part V of the Annual Report.

**Accountant** means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

**Act** means Section 84.59 of the Statutes.

**Authorized Newspaper** means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

**Authorized Officer** when used with reference to the Department means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department or Commission then authorized to perform such act or discharge such duty.

**Bond** or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

**Bond Counsel's Opinion** means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

**Bondholder** and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

**1986 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1986 Series A issued on July 17, 1986.

**1988 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1988 Series A issued on April 12, 1988.

**1989 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1989, Series A, issued on April 19, 1989.

**1991 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1991, Series A, issued on October 3, 1991.

**1992 Series A Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1992 Series A, issued on August 20, 1992.

**1992 Series B Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1992 Series B, issued on August 20, 1992.

**1993 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, issued on September 29, 1993.

**1994 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1994 Series A, issued on July 13, 1994.

**1995 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1995 Series A, issued on September 28, 1995.

**1996 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1996 Series A, issued on June 13, 1996.

**1998 Series A Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1998 Series A, issued on September 17, 1998.

**1998 Series B Bonds** means the State of Wisconsin Transportation Revenue Bonds, 1998 Series B, issued on October 29, 1998.

**2000 Bonds** means the State of Wisconsin Transportation Revenue Bonds, 2000 Series A, dated September 15, 2000.

**2001 Series A Bonds** means State of Wisconsin Transportation Revenue Bonds, 2001 Series A, dated November 15, 2001.

**Capitalized Interest Account** shall mean the account established by Section 402 of the General Resolution.

**Certificate** means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

**Commercial Paper Notes or Notes** means the State of Wisconsin Transportation Revenue Commercial Paper Notes, 1997 Series A.

**Commission** means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48 of the Statutes and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

**Costs of Issuance** means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

**Credit Support and Liquidity Fund** means an account established pursuant to Section 511 of the General Resolution.

**Credit Support and Liquidity Fund Requirement** means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series

of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

**Debt Service Requirement** means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

**Debt Service Reserve Requirement** means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

**Department** means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46 of the Statutes and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

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

**Fiscal Year** means the fiscal year of the State as established from time to time.

**Fund** means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

**General Resolution** means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

**Interest Payment Dates** means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

**Interest Requirement** means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

**Investment Obligations** means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress 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 United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal

- Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);
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 loan 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;
  5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
  6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least \$100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
  7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in paragraphs (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
  8. Commercial paper given the highest rating by Standard & Poor's Corporation and Moody's Investors Service at the time of such investments;
  9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least \$100,000,000;
  10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in paragraphs (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase



agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;

11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in paragraphs (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in paragraphs (1), (2), (3), (4) and (10) above.

**Notes or Commercial Paper Notes** means the State of Wisconsin Transportation Revenue Commercial Paper Notes, 1997 Series A.

**Outstanding**, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General Resolution, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

**Paying Agent** for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

**Principal and Interest Account** means the account established by Section 502 of the General Resolution.

**Principal Installment** means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

**Principal Installment Dates** means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

**Principal Office**, when used with respect to a Fiduciary, means the principal, or corporate trust, or head, or principal trust office of such Fiduciary situated in the city in which such Fiduciary is described as being located.

**Principal Requirement** means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

**Program** means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

**Program Account** means the account so designated by Section 402 of the General Resolution.

**Program Capital Fund** means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

**Program Expense Fund** means the Fund that is established and created by Section 514 of the General Resolution.

**Program Expenses** means the reasonable and proper costs and expenses of the Department for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

**Program Income** means moneys derived under Section 341.25 of the Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

**Program Income Account** means the account established by Section 502 of the General Resolution.

**Projects** means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

**Record Date** means with respect to any Series of Bonds, the Record Date established for such Series of Bonds under each Series Resolution pursuant to which such Series is issued (which, with respect to the Bonds, means the fifteenth day of the month preceding an Interest Payment Date on the Bonds).

**Redemption Date** means the date upon which Bonds are to be called for redemption.

**Redemption Fund** means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

**Redemption Fund Deposit Day** means January 1, April 1, July 1 and October 1 of each Fiscal Year.

**Redemption Price** when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

**Registrar** means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7) of the Statutes.

**Reserve Fund** means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

**Revenue Obligations Act** means Subchapter II of Chapter 18 of the Statutes, as amended.

**Secretary** means the Secretary of the Department or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

**Serial Bonds** means the Bonds so designated in a Series Resolution.

**Series**, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

**Series Resolution** means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

**Sinking Fund Installment** means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

**State** means the State of Wisconsin, including the Commission, or Department, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

**Statutes** means the Wisconsin Statutes.

**Subordinated Debt Service Fund** means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

**Subordinated Debt Service Fund Requirement** means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution, and as of the date of this Annual Report, is the amount specified in 1997 State of Wisconsin Building Commission Resolution 8, adopted by the Commission on April 23, 1997.

**Subordinated Indebtedness** means a Series of Bonds issued pursuant to Section 714 of the General Resolution, and includes the Commercial Paper Notes.

**Supplemental Resolution** means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing effected by the particular Supplemental Resolution.

**Term Bonds** means the Bonds so designated in a Series Resolution.

**Transportation Fund** means the fund established in Section 25.40 of the Statutes.

**Treasurer** means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

**Trustee** means Bank One Trust Company, National Association, as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

## **APPENDIX A**

### **AUDITED FINANCIAL STATEMENTS**

The following are audited financial statements for the year ended June 30, 2001, and include, (1) for the Transportation Revenue Bond Program, the Report of Independent Public Accountants, dated September 20, 2001 and supplemental information pertaining to the Program Revenues, and (2) for the Transportation Revenue Commercial Paper Program, the Report of Independent Public Accountants, dated September 20, 2001.

{This page number is the last sequential page number of the Annual Report to be used in this Part V of the Annual Report. The following uses page numbers from the audited financial statements and Reports of Independent Public Accountants. The sequential page numbers for the Annual Report continue in Part VI.}

**Wisconsin Department of Transportation  
Revenue Bond Program**

**1989 Series A, 1991 Series A, 1992 Series A,  
1992 Series B, 1993 Series A, 1994 Series A,  
1995 Series A, 1996 Series A, 1998 Series A,  
1998 Series B and 2000 Series A**

**Statements of Changes in Program Assets—Cash Basis  
For the Years Ended June 30, 2001 and 2000  
Together with Report of Independent Public Accountants**

# Wisconsin Department of Transportation Revenue Bond Program

## Statements of Changes in Program Assets—Cash Basis As of June 30, 2001 and 2000

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## **Report of Independent Public Accountants**

To the Directors of the  
Wisconsin Department of Transportation  
Revenue Bond Program:

We have audited the Statements of Changes in Program Assets—Cash Basis of the 1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A, 1998 Series B and 2000 Series A bonds of the Wisconsin Department of Transportation Revenue Bond Program (the “Program”) for the years ended June 30, 2001 and 2000. These statements and supplemental information are the responsibility of the Program’s directors. Our responsibility is to express an opinion on these statements and supplemental information based on our audits.

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

As described in Note 2, the Program’s policy is to prepare its Statements of Changes in Program Assets on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the statements of changes in program assets referred to above present fairly, in all material respects, the changes in Program assets—cash basis of the 1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A, 1998 Series B and 2000 Series A bonds of the Wisconsin Department of Transportation Revenue Bond Program for the years ended June 30, 2001 and 2000, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the Statements of Changes in Program Assets taken as a whole. The supplementary information required by the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution on pages 11 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the

basic statements and, in our opinion, is fairly stated in all material respects in relation to the basic statements taken as a whole. The Statements of Motor Vehicle Registration Fees—Cash Basis for the Years Ending June 30, 2001 and 2000 on page 4 and the supplementary information on page 22 are presented for purposes of additional analysis and are not a required part of the basic statements. This information has not been subjected to the auditing procedures applied in our audit of the basic statements and, accordingly, we express no opinion on it.

*Arthur Andersen LLP*

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin  
September 20, 2001



**Wisconsin Department of Transportation  
Revenue Bond Program**

Statements of Changes in Program Assets—Cash Basis  
For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Program Asset Balance, Beginning of Year	\$54,027,808	\$115,888,063
Receipts:		
Motor Vehicle Registration Fees Retained by Trustee	78,570,958	72,497,788
Investment Income	3,127,205	3,840,521
Bond Proceeds	<u>123,700,000</u>	<u>-</u>
Total Receipts	205,398,163	76,338,309
Disbursements:		
Debt Service--Principal	33,705,000	30,860,000
Debt Service--Interest	39,488,356	41,062,586
Highway Program Expenditures	119,202,000	65,829,916
Program Expenses	116,522	85,918
Advance to Commercial Paper Program	318,629	360,144
Bond Issue Costs	<u>178,805</u>	<u>-</u>
Total Disbursements	193,009,312	138,198,564
Program Asset Balance, End of Year	<u>\$66,416,659</u>	<u>\$54,027,808</u>
Program Assets Reserved for Debt Service	\$60,401,254	\$53,877,305
Program Assets Reserved for Program Expenses	208,213	140,930
Program Assets Reserved for Highway Expenditures	5,807,192	9,573

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

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Supplementary Information

Statements of Motor Vehicle Registration Fees—Cash Basis  
For the Years Ended June 30, 2001 and 2000 (Unaudited)

	<u>2001</u>	<u>2000</u>
Motor Vehicle Registration Fees Remitted to Trustee	\$314,396,188	\$311,320,449
Less:		
Motor Vehicle Registration Fees Available for Commercial Paper Program	(10,522,362)	(11,691,287)
Motor Vehicle Registration Fees Available for Transportation Fund	<u>(225,302,868)</u>	<u>(227,131,374)</u>
Motor Vehicle Registration Fees Retained by Trustee	<u>\$78,570,958</u>	<u>\$72,497,788</u>

## Wisconsin Department of Transportation Revenue Bond Program

### Notes to Statements of Changes in Program Assets—Cash Basis For the Years Ended June 30, 2001 and 2000

(1) Nature of Program-

The Wisconsin Department of Transportation Revenue Bond Program (the “Program”) originated in April 1984 pursuant to the adoption of the General Resolution by the State of Wisconsin Building Commission. The purpose of the program is to provide financing for the construction, maintenance and repair of certain major highway projects and administrative facilities. Receipts provided from registration fees are used to service the Program’s debt.

(2) Summary of Significant Accounting Policies-

Cash Basis of Accounting-

The Statements of Changes in Program Assets present the Program’s receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. The Program’s assets consist of money market funds, investment contracts and U.S. treasury notes, at amortized cost. The fiscal 2000 financial statement presentation has been changed from the accrual method to the cash basis. The following is a reconciliation of Program assets at July 1, 1999 as previously reported to the current presentation:

Total Program Assets Under the Accrual Method, July 1, 1999, as Previously Reported	\$869,374,481
Deduct Accrual Based Assets:	
Cumulative Project Costs	(747,111,272)
Deferred Debt Costs	(4,339,847)
Accrued Transfer of Program Expenses to Commercial Paper Program	(787,531)
Accrued Interest on Investments	<u>(1,247,768)</u>
Total Program Assets Under the Cash Method, July 1, 1999	<u>\$115,888,063</u>

The Wisconsin Department of Transportation (“Department”) has entered into trust agreements with Bank One Trust Company N.A., Milwaukee, Wisconsin, relating to the creation and administration of the State of Wisconsin Transportation Revenue Bonds, 1989 Series A, 1991 Series A, 1992 Series A, 1992 Series B, 1993 Series A, 1994 Series A, 1995 Series A, 1996 Series A, 1998 Series A, 1998 Series B and 2000 Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, the formula for computing the Debt Service Reserve requirements and the procedure to be followed for the redemption of the bonds. It is Program directors’ view that the Statement of Changes in Program Assets—Cash Basis along with the related notes meets these provisions.

Receipts and Disbursements-

Motor Vehicle Registration Fees Retained by Trustee-

Motor vehicle registration fees retained by trustee are recorded at time of impounding, when transfer of possession occurs.

#### Investment Income-

Investment income is recorded when received and includes gains and losses on sales or maturities of investments.

#### Bond Proceeds-

Bond proceeds are recorded upon sale at gross value of the issuance. All related fees are considered bond issue costs within disbursements.

#### Debt Service -- Principal and Interest-

Debt service payments are recorded when paid.

#### Highway Program Expenditures-

Highway program expenditures are recorded when paid from the Program to the Transportation Fund.

#### Program Expenses-

Program expenses are recorded when paid.

#### Advance to Commercial Paper Program-

Advance to Commercial Paper Program represents payments made by the Program for expenses on behalf of the Commercial Paper Program.

#### Investments-

The Program's investment policies are governed by the Program Resolution and Wisconsin Statutes. The Program is authorized by statute to invest in direct obligations of the United States maturing in one year from the date of investment. In addition, statutes allow those funds not reserved for debt service to be invested in direct obligations of the United States, its agencies and corporations, certain banks, high-quality corporate commercial paper, and certificates of deposit.

For fiscal years 2001 and 2000, the trustee invested the Program's funds in money market funds, guaranteed investment contracts, and U.S. government securities. As of June 30, 2001, \$31,355,771 is invested in money market funds, \$5,806,888 is invested in guaranteed investment contracts, and \$29,254,000 is invested in U.S. treasury notes. As of June 30, 2000, \$54,027,808 is invested in money market funds. Money market funds are categorized as risk category 3 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, as the investments are not insured or collateralized. The U.S. treasury notes were registered and held by the Program's agent in the Program's name. Therefore, these investments are categorized as risk category 1. Under GASB Statement No. 3, guaranteed investment contracts are not classified in categories of credit risk as they are direct contractual investments and are not securities.

The Program asset balance consists of investments, at amortized cost which approximates fair market value, in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

(3) Revenue Bonds-

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a general bond resolution and series resolutions adopted by the State of Wisconsin Building Commission. The bonds are revenue obligations of the State of Wisconsin ("State"), payable solely from the Bond Redemption Funds created by the General Resolution. The bonds are collateralized by a first lien pledge of income derived from vehicle registration fees ("Program Income") under Section 341.25 of the Wisconsin Statutes, as collected by the Trustee. The State has covenanted in the General Resolution that it will charge registration fees sufficient to pay principal and interest on the bonds, as they become due, to pay program expenses and to maintain the Debt Service Reserve requirement. The State is not generally liable on the bonds nor are the projects financed by the bonds pledged as collateral.

A summary of these revenue obligations as of June 30, 2001 and 2000 is as follows:

	<u>2001</u>	<u>2000</u>
Transportation Revenue Bonds, 1991 Series A, varying fixed interest rates from 6.0% to 6.1%, interest payable semiannually, annual principal payments of variable amounts, due 2001	\$4,735,000	\$9,190,000
Transportation Revenue Bonds, 1992 Series A and B, varying fixed interest rates from 5.0% to 5.8%, interest payable semiannually, annual principal payments of variable amounts, due 2022	229,420,000	238,590,000
Transportation Revenue Bonds, 1993 Series A, varying fixed interest rates from 4.1% to 5.0%, interest payable semiannually, annual principal payments of variable amounts, due 2012	89,355,000	95,160,000
Transportation Revenue Bonds, 1994 Series A, varying fixed interest rates from 4.9% to 7.5%, interest payable semiannually, annual principal payments of variable amounts, due 2014	42,550,000	46,285,000
Transportation Revenue Bonds, 1995 Series A, varying fixed interest rates from 4.45% to 6.25%, interest payable semiannually, annual principal payments of variable amounts, due 2015	80,610,000	84,380,000
Transportation Revenue Bonds, 1996 Series A, varying fixed interest rates from 5.0% to 6.0%, interest payable semiannually, annual principal payments of variable amounts, due 2010	52,340,000	56,325,000
Transportation Revenue Bonds, 1998 Series A and B, varying fixed interest rates from 4.0% to 5.5%, interest payable semiannually, annual principal payments of variable amounts, due 2019	236,435,000	239,220,000
Transportation Revenue Bonds, 2000 Series A, varying fixed interest rates from 5.3% to 5.5%, interest payable semiannually, annual principal payments of varying amounts commencing in 2012, due 2021	123,700,000	-
	859,145,000	769,150,000
Less- Current Maturities	<u>36,560,000</u>	<u>33,705,000</u>
	<u>\$822,585,000</u>	<u>\$735,445,000</u>

Vehicle registration fees in excess of the amount needed to service the Bond Redemption and Debt Service Reserve requirements is to be transferred to the Department free of the first lien pledge of the General Resolution.

Additional series of bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal charge and lien on the Program Income. However, no additional series may be issued unless, among other things, Program Income, including interest, for 12 consecutive months within the preceding 18-month period is at least 2.25 times the maximum aggregate principal and interest requirement in any bond year for all outstanding bonds.

Future maturities of bonds payable as of June 30, 2001 are as follows:

Year Ending June 30,

2001	\$36,560,000
2002	38,115,000
2003	40,020,000
2004	46,150,000
2005	48,500,000
Thereafter	<u>649,800,000</u>
	<u>\$859,145,000</u>

From time to time, the Program issues revenue bonds to defease older revenue bonds in order to take advantage of market conditions. The proceeds from the issuance of revenue bonds, together with assets transferred from the refunded bond series, are deposited with a trustee bank in a separate Escrow Fund. These funds are invested by an escrow agent in U.S. Treasury obligations and certain other government securities so that sufficient monies are available to pay the principal, interest and redemption price of the defeased bonds. The following is a summary of these defeased bonds outstanding.

The revenue bonds defeased by the 1992 Series A Refunding were as follows:

<u>Series</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
1991 Series A	July 1, 2010	\$8,495,000		
	July 1, 2011	<u>9,085,000</u>		
		<u>\$17,580,000</u>	Maturity	Par

The revenue bonds defeased by the 1993 Series A Refunding were as follows:

<u>Series</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
1992 Series B	July 1, 2007	\$5,790,000		
	July 1, 2008	6,125,000		
	July 1, 2009	6,480,000		
	July 1, 2010	6,855,000		
	July 1, 2011	7,250,000		
	July 1, 2012	<u>7,665,000</u>		
		<u>\$40,165,000</u>	July 1, 2001	Par

The revenue bonds defeased by the 1998 Series A Refunding issued in fiscal 1999 were as follows:

<u>Series</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
1992 Series A	July 1, 2005	\$4,295,000	July 1, 2002	Par
	July 1, 2006	4,880,000		
	July 1, 2009	735,000		
	July 1, 2010	1,110,000		
	July 1, 2011	1,170,000		
	July 1, 2012	1,240,000		
	July 1, 2013	1,310,000		
		<u>14,740,000</u>		
1992 Series B	July 1, 2005	\$5,195,000	July 1, 2002	Par
	July 1, 2006	5,480,000		
	July 1, 2013	8,110,000		
		<u>18,785,000</u>		
1994 Series A	July 1, 2007	5,375,000	July 1, 2004	Par
	July 1, 2008	5,685,000		
	July 1, 2009	6,020,000		
	July 1, 2010	6,375,000		
	July 1, 2011	6,760,000		
	July 1, 2012	7,170,000		
		<u>37,385,000</u>		
1995 Series A	July 1, 2012	7,070,000	July 1, 2005	Par
1996 Series A	July 1, 2011	6,885,000	July 1, 2006	Par
	July 1, 2012	7,270,000		
	July 1, 2013	7,685,000		
	July 1, 2014	8,130,000		
	July 1, 2015	8,600,000		
	July 1, 2016	9,100,000		
		<u>47,670,000</u>		
Total		<u>\$125,650,000</u>		

These defeased bonds are not included in the outstanding revenue bonds. Also, the securities in the Escrow Funds are not included in the Program asset balance.

(4) Debt Service Reserve Fund Requirement-

The General Resolution creates a Debt Service Reserve Fund requirement which is provided from bond proceeds and other available monies, and is intended to be used to provide for any deficiency in the Bond Redemption Fund for the payment of principal and interest. Series resolutions authorizing the issuance of additional bonds will set forth the Debt Service Reserve requirements for each issue which will be aggregated to determine the Debt Service Reserve Fund requirement for all outstanding bonds. The General Resolution provides that monies in the Debt Service Reserve Fund are to be provided for any deficiency in the Principal and Interest Account in the Bond Redemption Fund. If there is any deficiency in the Debt Service Reserve Fund, the Trustee shall, after setting aside the principal and interest amount in the Bond Redemption Fund, the principal of and interest on outstanding bonds accruing in such year and an amount in the Program Expense Fund equal to the Department's budgeted program expenses for that year, deposit Program Income into the Debt Service Reserve Fund in an amount sufficient to remedy such deficiency.

The Debt Service Reserve Fund requirement for each of the bond series is an amount equal to the maximum interest due, except for the 1993 Series A, 1998 Series A and 1998 Series B bonds issues which have no Debt Service Reserve Fund requirements. The Debt Service Reserve Fund requirements and the Bond Redemption Fund balances, with securities stated at market value, are as follows at June 30, 2001:

	Debt Service Reserve Fund Requirement	Bond Redemption Fund Balance
1991 Series A	\$3,643,000	\$4,804,000
1992 Series A	3,799,800	13,732,197
1992 Series B	8,921,978	7,271,000
1993 Series A	-	2,723,000
1994 Series A	2,058,000	5,050,000
1995 Series A	3,425,000	5,997,000
1996 Series A	6,100,000	5,451,000
1998 Series A	-	3,467,557
1998 Series B	-	6,558,000
2000 Series A	3,535,000	5,344,000
Program Income Fund	-	35,000
	<u>\$31,482,778</u>	<u>\$60,401,254</u>

During the period from May 1993 to June 2001, the Department has acquired a letter of credit, in the form of Surety Bonds, in amounts sufficient to meet the Debt Service Reserve requirements for each series of bonds outstanding.

(5) Commitments-

The Department and the State are currently authorized by State Statutes to use bond proceeds for right-of-way acquisition and construction of projects and certain transportation facilities. The Department has statutory authority (as amended) as of June 30, 2001, to issue a total of \$1,447,085,500 of bonds (including those issued under the 1991 Series A, the 1992 Series B, the 1993 Series A, the 1994 Series A, the 1995 Series A, the 1996 Series A, the 1998 Series A, the 1998 Series B and the 2000 Series A), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund.

(6) Concentration of Credit Risk-

The Program's main investment as of June 30, 2001 and 2000 was in Bank One Group Treasury Only Money Market in the amount of \$31,355,771 and \$54,027,808, which represents 47% and 100%, respectively, of the Program asset balance.

(7) Administrative Expenses-

The Program is not charged for administrative expenses related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. The Program expense fund is used for expenses of the operation and maintenance of the Program, which may include expenses of the trustee, bond rating fees, audit fees, and other expenses of the Program. The Program expense fund expenses are included in the Statement of Changes in Program Assets—Cash Basis.

**Wisconsin Department of Transportation  
Revenue Bond Program**

Schedule of Monthly Program Income  
For the Year Ended June 30, 2001

Month	Program Income Fund	1991 Series A	1992 Series A	1992 Series B	1993 Series A	1994 Series A	1995 Series A	1996 Series A	1998 Series A	1998 Series B	2000 Series A
July 2000	\$155,313	\$1,258,934	\$4,263,748	\$2,615,744	\$1,195,972	\$1,600,312	\$2,071,052	\$1,751,427	\$1,724,006	\$2,298,408	\$ -
October 2000	74,750	1,281,986	4,343,096	2,663,967	1,223,258	1,622,294	2,092,718	1,766,912	1,746,952	2,331,680	-
January 2001	194,600	1,145,382	3,910,326	2,425,752	1,121,799	1,496,180	1,937,350	1,641,519	1,607,228	2,167,677	2,599,893
April 2001	67,000	1,169,706	4,067,757	2,534,045	1,188,265	1,505,987	1,966,005	1,636,624	1,717,666	2,195,937	2,191,731
	<u>\$491,663</u>	<u>\$4,856,008</u>	<u>\$16,584,927</u>	<u>\$10,239,508</u>	<u>\$4,729,294</u>	<u>\$6,224,773</u>	<u>\$8,067,125</u>	<u>\$6,796,482</u>	<u>\$6,795,852</u>	<u>\$8,993,702</u>	<u>\$4,791,624</u>



**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1991 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	6.10%	<u>\$4,735,000</u>
		<u>\$4,735,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1992 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	5.10%	\$10,790,000
2002	5.20	11,350,000
2003	5.30	11,945,000
2004	5.40	16,695,000
2005	5.50	13,290,000
2006	5.60	13,675,000
2009	5.80	21,525,000
2022	5.50	<u>15,570,000</u>
		<u>\$114,840,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1992 Series B  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	5.10%	\$4,235,000
2002	5.20	4,450,000
2003	5.30	4,685,000
2004	5.40	4,930,000
2022	5.50	<u>96,280,000</u>
		<u>\$114,580,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1993 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	4.20%	\$635,000
2002	4.30	665,000
2003	4.40	6,050,000
2004	4.50	6,340,000
2005	4.50	6,645,000
2006	4.60	6,955,000
2007	4.70	13,090,000
2008	4.75	13,725,000
2009	4.80	14,395,000
2010	4.90	6,620,000
2011	5.00	6,945,000
2012	4.75	7,290,000
		<u>\$89,355,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1994 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	5.00%	\$3,920,000
2002	5.10	4,125,000
2003	7.50	4,340,000
2004	7.50	4,575,000
2005	5.30	4,820,000
2006	5.40	5,090,000
2014	5.50	<u>15,680,000</u>
		<u>\$42,550,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1995 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	4.45%	\$3,945,000
2002	6.25	4,135,000
2003	6.25	4,345,000
2004	6.25	4,565,000
2005	4.80	4,800,000
2006	4.90	5,055,000
2007	5.00	5,330,000
2008	5.10	5,630,000
2009	5.20	5,950,000
2010	5.25	6,295,000
2011	5.25	6,670,000
2013	5.50	7,495,000
2014	5.50	7,955,000
2015	5.50	8,440,000
		<u>\$80,610,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1996 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	5.00%	\$4,165,000
2002	5.00	4,360,000
2003	5.00	4,570,000
2004	5.00	4,795,000
2005	6.00	5,035,000
2006	6.00	5,290,000
2007	5.25	5,565,000
2008	5.40	5,860,000
2009	5.50	6,180,000
2010	5.50	<u>6,520,000</u>
		<u>\$52,340,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1998 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2002	5.00%	\$5,130,000
2003	4.00	35,000
2004	4.12	40,000
2005	5.00	9,530,000
2006	5.00	10,355,000
2007	5.00	5,310,000
2008	5.00	5,590,000
2009	5.50	6,625,000
2010	5.50	7,345,000
2011	5.50	14,665,000
2012	5.50	22,580,000
2013	5.50	16,915,000
2014	5.50	7,915,000
2015	5.50	8,360,000
2016	5.50	<u>8,825,000</u>
		<u>\$129,220,000</u>



**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--1998 Series B  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2001	4.25%	\$4,135,000
2002	4.25	3,900,000
2003	4.25	4,050,000
2004	4.50	4,210,000
2005	4.25	4,380,000
2006	4.25	4,565,000
2007	4.25	4,755,000
2008	4.25	4,955,000
2009	5.25	5,170,000
2010	5.25	5,400,000
2011	5.25	5,645,000
2012	5.00	5,905,000
2013	5.00	6,180,000
2014	5.00	6,475,000
2015	5.00	6,790,000
2016	5.00	7,125,000
2017	4.75	7,480,000
2019	4.75	<u>16,095,000</u>
		<u>\$107,215,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Bonds Outstanding--2000 Series A  
As of June 30, 2001

<u>Maturity July 1,</u>	<u>Rate</u>	<u>Principal</u>
2012	5.50%	\$9,700,000
2013	5.50	10,200,000
2014	5.50	10,700,000
2015	5.50	11,300,000
2016	5.50	11,900,000
2017	5.50	12,500,000
2018	5.30	13,200,000
2019	5.40	14,000,000
2020	5.40	14,700,000
2021	5.40	<u>15,500,000</u>
		<u>\$123,700,000</u>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Schedule of Registration Trust Program Revenue (Unaudited)  
For the Years Ended June 30, 2001 and 2000

	Section 341.25 Registration Fees		Revenue Bond Program	Total Program Revenues
	Non-IRP	IRP	On Section 341.25 Registration Fees	
July 1999	\$19,759,993	\$3,021,884		\$22,781,877
August 1999	18,079,361	2,609,284		20,688,645
September 1999	21,489,764	4,728,040		26,217,804
October 1999	17,919,995	4,479,800		22,399,795
November 1999	19,167,959	3,295,852		22,463,811
December 1999	32,230,614	2,581,947		34,812,561
January 2000	19,013,120	3,331,319		22,344,439
February 2000	16,507,436	2,916,007		19,423,443
March 2000	26,258,175	5,898,984		32,157,159
April 2000	21,169,376	9,980,479		31,149,855
May 2000	21,174,613	6,868,012		28,042,625
June 2000	22,939,808	5,898,628		28,838,436
<b>Total for the Year Ended June 30, 2000</b>	<b>\$255,710,214</b>	<b>\$55,610,236</b>	<b>\$1,834,371</b>	<b>\$313,154,821</b>
July 2000	\$18,836,842	\$4,414,795		\$23,251,637
August 2000	23,419,029	2,947,283		26,366,312
September 2000	19,101,602	3,862,147		22,963,749
October 2000	19,233,465	5,264,337		24,497,802
November 2000	14,695,236	2,579,519		17,274,755
December 2000	29,229,076	2,081,718		31,310,794
January 2001	29,257,058	3,573,930		32,830,988
February 2001	16,029,806	2,733,089		18,762,895
March 2001	24,790,957	6,024,344		30,815,301
April 2001	21,862,066	5,846,124		27,708,190
May 2001	19,476,430	11,745,944		31,222,374
June 2001	22,455,120	4,936,270		27,391,390
<b>Total for the Year Ended June 30, 2001</b>	<b>\$258,386,687</b>	<b>\$56,009,500</b>	<b>\$1,664,681</b>	<b>\$316,060,868</b>

**Wisconsin Department of Transportation  
Revenue Bond Program**

Schedule of Monthly Program Income  
For the Year Ended June 30, 2001

Month	Program Income Fund	1991 Series A	1992 Series A	1992 Series B	1993 Series A	1994 Series A	1995 Series A	1996 Series A	1998 Series A	1998 Series B	2000 Series A
July 2000	\$155,313	\$1,258,934	\$4,263,748	\$2,615,744	\$1,195,972	\$1,600,312	\$2,071,052	\$1,751,427	\$1,724,006	\$2,298,408	\$ -
October 2000	74,750	1,281,986	4,343,096	2,663,967	1,223,258	1,622,294	2,092,718	1,766,912	1,746,952	2,331,680	-
January 2001	194,600	1,145,382	3,910,326	2,425,752	1,121,799	1,496,180	1,937,350	1,641,519	1,607,228	2,167,677	2,599,893
April 2001	67,000	1,169,706	4,067,757	2,534,045	1,188,265	1,505,987	1,966,005	1,636,624	1,717,666	2,195,937	2,191,731
	<u>\$491,663</u>	<u>\$4,856,008</u>	<u>\$16,584,927</u>	<u>\$10,239,508</u>	<u>\$4,729,294</u>	<u>\$6,224,773</u>	<u>\$8,067,125</u>	<u>\$6,796,482</u>	<u>\$6,795,852</u>	<u>\$8,993,702</u>	<u>\$4,791,624</u>

**Wisconsin Department of Transportation  
Commercial Paper Program  
Transportation Revenue Commercial Paper Notes of 1997, Series A**

**Statements of Changes in Program Assets—Cash Basis  
For the Years Ended June 30, 2001 and 2000  
Together with Report of Independent Public Accountants**

**Wisconsin Department of Transportation  
Commercial Paper Program**

Transportation Revenue Commercial Paper Notes of 1997, Series A  
June 30, 2001 and 2000

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2000

Notes to Statements of Changes in Program Assets

## Report of Independent Public Accountants

To the Directors of the Wisconsin Department of Transportation  
Commercial Paper Program:

We have audited the Statements of Changes in Program Assets—Cash Basis of the 1997 Series A Commercial Paper Notes of the Wisconsin Department of Transportation Commercial Paper Program (the “Program”) for the years ended June 30, 2001 and 2000. These statements and supplemental information are the responsibility of the Program’s directors. Our responsibility is to express an opinion on these statements and supplemental information based on our audits.

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

As described in Note 2, the Program’s policy is to prepare its Statements of Changes in Program Assets on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the statements of changes in program assets referred to above present fairly, in all material respects, the changes in Program assets—cash basis of the 1997 Series A Commercial Paper Notes of the Wisconsin Department of Transportation Commercial Paper Program for the years ended June 30, 2001 and 2000, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the Statements of Changes in Program Assets taken as a whole. The Statements of Motor Vehicle Registration Fees—Cash Basis for the Years Ended June 30, 2001 and 2000 is presented for purposes of additional analysis and is not a required part of the basic statements. This information has not been subjected to the auditing procedures applied in our audit of the basic statements and, accordingly, we express no opinion on it.

*Arthur Andersen LLP*

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin  
September 20, 2001

**Wisconsin Department of Transportation  
Commercial Paper Program  
Transportation Revenue Commercial Paper Notes of 1997, Series A**

Statements of Changes in Program Assets—Cash Basis  
For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Program Asset Balance, Beginning of Year	\$7,098,000	\$9,530,595
Receipts:		
Motor Vehicle Registration Fees Retained by Trustee	10,522,362	11,691,287
Investment Income	55,495	233,301
Total Receipts	10,577,857	11,924,588
Disbursements:		
Debt Service--Principal	5,583,000	8,073,000
Debt Service--Interest	6,004,727	6,284,183
Total Disbursements	11,587,727	14,357,183
Program Asset Balance, End of Year	<u>\$6,088,130</u>	<u>\$7,098,000</u>
Program Asset Reserved for Debt Service	\$6,088,130	\$7,098,000

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

Supplementary Information

Statements of Motor Vehicle Registration Fees— Cash Basis  
For the Years Ended June 30, 2001 and 2000 (Unaudited)

	<u>2001</u>	<u>2000</u>
Motor Vehicle Registration Fees Remitted to Trustee	\$314,396,188	\$311,320,449
Less:		
Motor Vehicle Registration Fees Available for Revenue Bond Program	(78,570,958)	(72,497,788)
Motor Vehicle Registration Fees Available for Transportation Fund	<u>(225,302,868)</u>	<u>(227,131,374)</u>
Motor Vehicle Registration Fees Retained by Trustee	<u>\$10,522,362</u>	<u>\$11,691,287</u>



**Wisconsin Department of Transportation  
Commercial Paper Program  
Transportation Revenue Commercial Paper Notes of 1997, Series A**

Notes to Statements of Changes in Program Assets—Cash Basis  
For the Years Ended June 30, 2001 and 2000

(1) Nature of Program-

The Transportation Revenue Commercial Paper Program (the "Program") originated on April 23, 1997, pursuant to the adoption of the Program Resolution by the State of Wisconsin Building Commission. The purpose of the Program is to provide financing for the construction, maintenance and repair of certain major highway projects and transportation facilities and to pay interest due on maturing notes. Receipts provided from registration fees are used to service the Program's debt.

(2) Summary of Significant Accounting Policies-

Cash Basis of Accounting-

The Statements of Changes in Program Assets present the Program's receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. The Program's assets consist of money market funds and U.S. treasury notes, at amortized cost. The fiscal 2000 financial statement presentation has been changed from the accrual method to the cash basis. The following is a reconciliation of Program assets at July 1, 1999 as previously reported to the current presentation:

Total Program Assets Under the Accrual Method, July 1, 1999, as Previously Reported	\$169,947,049
Deduct Accrual Based Assets:	
Cumulative Project Costs	(160,415,287)
Accrued Interest on Investments	<u>(1,167)</u>
Total Program Assets Under the Cash Method, July 1, 1999	<u>\$9,530,595</u>

The Wisconsin Department of Transportation ("Department") has entered into trust agreements with Bank One Trust Company N.A., Milwaukee, Wisconsin, relating to the creation and administration of the Transportation Revenue Commercial Paper Notes of 1997, Series A. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, the formula for computing the Debt Service Reserve requirements and the procedure to be followed for the redemption of the bonds. It is Program management's view that the Statement of Changes in Program Assets—Cash Basis along with the related notes meet these provisions.

Receipts and Disbursements-

Motor Vehicle Registration Fees Retained by Trustee-

Motor vehicle registration fees retained by trustee are recorded at time of impounding, when transfer of possession occurs.

Investment Income-

Investment income is recorded when received and includes gains and losses on sales or maturities of investments.

Debt Service -- Principal and Interest-

Debt service payments are recorded when paid.

Costs of Notes-

Issue costs and administrative expenses related to the notes are being expensed as incurred.

Investments-

The Program's investment policies are governed by the Program Resolution and Wisconsin Statutes. The Program is authorized by statute to invest in direct obligations of the United States maturing in one year from the date of investment. In addition, statutes allow those funds not reserved for debt service to be invested in direct obligations of the United States, its agencies and corporations, certain banks, high-quality corporate commercial paper, and certificates of deposit.

For fiscal years 2001 and 2000, the trustee invested the Program's funds in money market funds and U.S. government securities. As of June 30, 2001, \$450,130 is invested in money market funds and \$5,638,000 is invested in U.S. treasury notes. As of June 30, 2000, \$7,098,000 was invested in money market funds. Money market funds are categorized as risk category 3 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, as the investments are not insured or collateralized. The U.S. treasury notes were registered and held by the Program's agent in the Program's name. Therefore, these investments are categorized as risk category 1 in accordance with GASB Statement No. 3.

The Program asset balance consists of investments, at amortized cost, which approximates fair market value, in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

(3) Notes Payable-

Transportation Revenue Commercial Paper Notes of 1997, Series A (1997 notes) consist of interest-bearing obligations which are issued in initial denominations of \$100,000 and additional increments of \$1,000 above \$100,000. There are notes payable of \$141,733,000 and \$147,316,000 at June 30, 2001 and 2000, respectively.

The notes are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes as amended, Section 84.59 of the Wisconsin Statutes and a program resolution and series resolutions adopted by the State of Wisconsin Building Commission. The notes are revenue obligations of the State of Wisconsin ("State"), payable solely from the Subordinated Debt Service Fund.

The notes are collateralized by a pledge of income derived from vehicle registration fees (Program Income) under Section 341.25 of the Wisconsin Statutes, as collected by the Trustee. The notes are subordinate to the pledge of Program Income to payment of the State Transportation Revenue Bonds outstanding.

The State expects to pay the principal of and interest on the notes with the proceeds of additional notes until the State provides permanent financing through the issuance of long-term transportation revenue bonds for the projects which are being initially financed by the notes. The permanent financing is not expected to be put in place until long-term interest rates on revenue bonds are advantageous to the State.

In order to assure the timely payment of principal and interest on the notes, the State obtained a credit agreement (the liquidity facility agreement) on May 7, 1997, which provides a commitment for the issuance of an irrevocable letter of credit in the stated amount up to \$188,600,000. On April 19, 2000, the State reduced this commitment and the stated amount of the irrevocable letter of credit to a stated amount of up to \$155,000,000. The stated date of the letter of credit is currently May 6, 2002, each subject to an extension as provided in the credit agreement.

The notes will mature no later than 270 days from the date of issuance provided that a liquidity facility agreement is in effect. No notes may be issued with a maturity date after the stated expiration of the liquidity facility agreement or after the stated date of a substitute liquidity facility agreement. The principal of and interest on the notes will be paid at maturity and are not callable prior to maturity. Each note bears interest from its date of issuance, at the rate determined on the date of issuance (which may not exceed 12% per annum). At June 30, 2001, the weighted average interest rate on the notes outstanding was 3.1%.

The State is not generally liable on the notes nor are the projects financed by the notes pledged as collateral.

(4) Subordinated Debt Service Fund-

The General Resolution creates a Subordinated Debt Service Reserve Fund which is intended to be used to provide for the payment of principal and interest of the notes from Program Income deposited into this fund. The pledge of such Program Income to payment of the notes is subordinate to the pledge of Program Income to payment of outstanding State Transportation Revenue Bonds. The debt service reserve requirement is \$6,088,130 as of June 30, 2001.

(5) Commitments-

The Department and the State are currently authorized by State Statutes to use note proceeds for right-of-way acquisition and construction of projects comprising major highway projects and certain transportation facilities. The Department has statutory authority (as amended) to issue notes totaling \$200,000,000 (including those issued under the 1997, Series A), in order to partially finance the costs of the authorized projects, in addition to proceeds from State general obligation debt, federal aid and other money in the Transportation Fund.

(6) Concentration of Credit Risk-

The Program's sole investment as of June 30, 2000 was in Bank One Group Treasury Only Money Market in the amount of \$7,098,000. There was no concentration of credit risk in 2001.

(7) Administrative Expenses-

The Program is not charged for departmental administrative expenses related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin.