

ADDENDUM TO OFFICIAL STATEMENT

\$20,570,000

STATE OF WISCONSIN

**\$16,735,000 General Obligation Refunding Bonds of 2007, Series 2
Not Subject to Alternative Minimum Tax**

**\$3,835,000 General Obligation Refunding Bonds of 2007, Series 3
Subject to Alternative Minimum Tax (AMT)**

October 26, 2007

APPENDIX A to the Official Statement, dated October 18, 2007 (**Official Statement**) for the above-referenced bond issues includes information on the 2007-09 biennial budget and other changes or updates to Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2006.

On October 26, 2007, Governor Doyle signed into law the budget for the 2007-09 biennium. This Addendum provides updated information for the section in Appendix A of the Official Statement that is entitled "State Budget; Budget for 2007-09 Biennium". Updated information is not available at this time for the tables on pages A-5 and A-6 of the Official Statement; those tables continue to reflect Governor Doyle's proposed budget rather than the enacted budget.

State Budget; Budget for 2007-09 Biennium

Budget Bill for 2007-09 Biennium (2007 Wisconsin Act 20)

On October 23, 2007 the Wisconsin legislature adopted a budget bill for the 2007-09 biennium, and Governor Doyle signed this bill into law, with some partial vetoes, on October 26, 2007. The following is the General Fund condition statement for the 2007-08 and 2008-09 fiscal years based on the budget bill adopted by the Wisconsin legislature. The partial vetoes made by Governor Doyle are not expected to materially change the General Fund condition statement. Further information about the 2007-09 biennial budget may be obtained from the address that appears on page A-1 of the Official Statement.

2007-09 General Fund Condition Statement (Budget Bill Adopted by Wisconsin Legislature) (in millions)

| | 2007-08 Fiscal <u>Year</u> | 2008-09 Fiscal <u>Year</u> |
|----------------------------------|-------------------------------|-------------------------------|
| Revenues | | |
| Opening Balance | \$ 66.3 | \$ 68.1 |
| Taxes | 13,101.1 | 13,627.2 |
| Department Revenues | | |
| Tribal Gaming | 96.7 | 46.3 |
| Other | <u>428.2</u> | <u>435.0</u> |
| Total Available | 13,692.3 | 14,176.6 |
| Appropriations | | |
| Gross Appropriations | 13,823.8 | 14,211.9 |
| Compensation Reserves | 62.8 | 156.6 |
| Less: Lapses | <u>(262.4)</u> | <u>(262.0)</u> |
| Net Appropriations | 13,624.1 | 14,106.5 |
| Balances | | |
| Gross Balance | 68.1 | 70.0 |
| Less: Required Statutory Balance | <u>(65.0)</u> | <u>(65.0)</u> |
| Net Balance, June 30 | \$ 3.1 | \$ 5.0 |

This Addendum has been prepared on behalf of the State of Wisconsin and should be inserted between pages A-2 and A-3 in APPENDIX A of the Official Statement.

OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the Bonds. Some of the information appears on this cover page for ready reference. To make an informed investment decision, a prospective investor should read the entire Official Statement.

\$20,570,000

STATE OF WISCONSIN

\$16,735,000 GENERAL OBLIGATION REFUNDING BONDS OF 2007, SERIES 2
Not Subject to Alternative Minimum Tax

\$3,835,000 GENERAL OBLIGATION REFUNDING BONDS OF 2007, SERIES 3
Subject to Alternative Minimum Tax (AMT)

Dated: Date of Delivery Due: May 1 and November 1, as shown on the inside front cover

Table with columns: Ratings, Based on AMBAC Insurance, Underlying Ratings, and associated agencies like Fitch Ratings, Moody's, and Standard & Poor's.

Tax Exemption For both series of Bonds, interest is, for federal income tax purposes, excluded from gross income. Interest on the Series 2 Bonds is not an item of tax preference...

Redemption The Series 2 Bonds maturing on or after November 1, 2017 and all Series 3 Bonds are subject to optional redemption at par on May 1, 2017 or any date thereafter... The Series 2 Bonds maturing on November 1, 2022 and November 1, 2027 are subject to mandatory sinking fund redemption at par... All Bonds of both series are subject to special redemption at par...

Security General obligations of the State of Wisconsin.

Insurance Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds...



Purpose Proceeds are being used for the replacement refunding of certain outstanding general obligation bonds previously issued to fund veterans housing loans...

Interest Payment Dates May 1 and November 1

First Interest Payment Date May 1, 2008

Denominations Multiples of \$5,000

Closing/Settlement On or about October 31, 2007

Bond Counsel Foley & Lardner LLP

Registrar/Paying Agent Secretary of Administration

Issuer Contact Wisconsin Capital Finance Office (608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov

Book-Entry-Only Form The Depository Trust Company... See pages 7-8.

2006 Annual Report This Official Statement incorporates by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2006.

The prices and yields listed on the inside front cover were determined on October 17, 2007 at negotiated sale. The Series 2 Bonds were purchased at the purchase price of \$16,412,420.27, and the Series 3 Bonds were purchased at the purchase price of \$3,788,502.44.

Merrill Lynch & Co.

Siebert Brandford Shank & Co., LLC

October 18, 2007

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND PRICES

\$20,570,000

STATE OF WISCONSIN

**\$16,735,000 GENERAL OBLIGATION REFUNDING BONDS OF 2007,
SERIES 2**

Not Subject to Alternative Minimum Tax

| CUSIP | Maturity Date | Principal Amount | Interest Rate | Yield at Issuance | Price at Issuance | First Optional Call Date | Call Price |
|--------------|---------------------------------|-------------------------|----------------------|--------------------------|--------------------------|---------------------------------|-------------------|
| 97705L PZ4 | May 1, 2008 | \$ 60,000 | 3.500% | 3.500% | 100% | Not Callable | - |
| 97705L QA8 | November 1, 2008 | 120,000 | 3.500 | 3.500 | 100 | Not Callable | - |
| 97705L QB6 | May 1, 2009 | 130,000 | 3.550 | 3.550 | 100 | Not Callable | - |
| 97705L QC4 | November 1, 2009 | 130,000 | 3.550 | 3.550 | 100 | Not Callable | - |
| 97705L QD2 | May 1, 2010 | 135,000 | 3.625 | 3.625 | 100 | Not Callable | - |
| 97705L QE0 | November 1, 2010 | 140,000 | 3.625 | 3.625 | 100 | Not Callable | - |
| 97705L QF7 | May 1, 2011 | 145,000 | 3.700 | 3.700 | 100 | Not Callable | - |
| 97705L QG5 | November 1, 2011 | 145,000 | 3.700 | 3.700 | 100 | Not Callable | - |
| 97705L QH3 | May 1, 2012 | 155,000 | 3.800 | 3.800 | 100 | Not Callable | - |
| 97705L QJ9 | November 1, 2012 | 155,000 | 3.800 | 3.800 | 100 | Not Callable | - |
| 97705L QK6 | May 1, 2013 | 165,000 | 3.850 | 3.850 | 100 | Not Callable | - |
| 97705L QL4 | November 1, 2013 | 165,000 | 3.850 | 3.850 | 100 | Not Callable | - |
| 97705L QM2 | May 1, 2014 | 170,000 | 3.950 | 3.950 | 100 | Not Callable | - |
| 97705L QN0 | November 1, 2014 | 180,000 | 3.950 | 3.950 | 100 | Not Callable | - |
| 97705L QP5 | May 1, 2015 | 180,000 | 4.050 | 4.050 | 100 | Not Callable | - |
| 97705L QQ3 | November 1, 2015 | 570,000 | 4.050 | 4.050 | 100 | Not Callable | - |
| 97705L QR1 | May 1, 2016 | 195,000 | 4.125 | 4.150 | 99.822 | Not Callable | - |
| 97705L QS9 | November 1, 2016 | 6,715,000 | 4.125 | 4.150 | 99.813 | Not Callable | - |
| 97705L QT7 | May 1, 2017 | 205,000 | 4.250 | 4.250 | 100 | Not Callable | - |
| 97705L QU4 | November 1, 2017 | 210,000 | 4.250 | 4.250 | 100 | 5/1/2017 | 100% |
| 97705L QV2 | November 1, 2022 ^(a) | 2,510,000 | 4.375 | 4.550 | 98.112 | 5/1/2017 | 100 |
| 97705L QW0 | November 1, 2027 ^(a) | 4,155,000 | 4.500 | 4.750 | 96.795 | 5/1/2017 | 100 |

**\$3,835,000 GENERAL OBLIGATION REFUNDING BONDS OF 2007,
SERIES 3**

Subject to Alternative Minimum Tax (AMT)

| CUSIP | Maturity Date | Principal Amount | Interest Rate | Yield at Issuance | Price at Issuance | First Optional Call Date | Call Price |
|--------------|----------------------|-------------------------|----------------------|--------------------------|--------------------------|---------------------------------|-------------------|
| 97705L QX8 | May 1, 2026 | \$ 3,835,000 | 5.000% | 5.030% | 99.641% | 5/1/2017 | 100% |

^(a) These maturities are term bonds. For a schedule of the mandatory sinking fund redemption payments, see "THE BONDS; Redemption Provisions; *Mandatory Sinking Fund Redemption*".

This document is the State’s official statement about the offering of the Bonds; that is, it is the only document the State has authorized for providing information about the Bonds. This document is not an offer or solicitation for the Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State’s permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriters are not the authors of this document. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.

The estimates, forecasts, projections, and opinions in this document are not hard facts, and no one guarantees them. Some of the people who prepared, compiled, or reviewed this information had specific functions that covered some aspects of the offering but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly included.

In connection with the offering of the Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE BONDS

BUILDING COMMISSION MEMBERS

| Voting Members | Term of Office Expires |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Governor Jim Doyle, Chairperson | January 2, 2011 |
| Senator Fred A. Risser, Vice-Chairperson | January 4, 2009 |
| Senator Ted Kanavas | January 4, 2009 |
| Senator Jeffrey Plale | January 2, 2011 |
| Representative Dean Kaufert | January 4, 2009 |
| Representative Phil Montgomery | January 4, 2009 |
| Representative Jennifer Shilling | January 4, 2009 |
| Mr. Terry McGuire, Citizen Member | At the pleasure of the Governor |
| Nonvoting, Advisory Members | |
| Mr. Adel Tabrizi, State Chief Engineer Department of Administration | _____ |
| Mr. Dave Haley, State Chief Architect Department of Administration | _____ |
| Acting Building Commission Secretary | |
| Mr. David W. Helbach, Secretary Division of State Facilities Department of Administration | At the pleasure of the Building Commission and the Secretary of Administration |

OTHER PARTICIPANTS

| | |
|----------------------------------------------------------------------------|---------------------------------------------------------------|
| Mr. J.B. Van Hollen State Attorney General | January 2, 2011 |
| Mr. Michael L. Morgan, Secretary Department of Administration | At the pleasure of the Governor |
| Mr. William D. Kloster, Acting Secretary Department of Veterans Affairs | At the pleasure of the Wisconsin Board of Veterans Affairs |

DEBT MANAGEMENT AND DISCLOSURE

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

DOACapitalFinanceOffice@wisconsin.gov

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Capital Finance Director
(608) 266-2305
frank.hoadley@wisconsin.gov

Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
larry.dallia@wisconsin.gov

Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@wisconsin.gov

SUMMARY DESCRIPTION OF BONDS

Selected information is presented on this page for the convenience of the reader. To make an informed investment decision, a prospective investor should read the entire Official Statement.

| | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principal Amount and Description: | \$16,735,000 General Obligation Refunding Bonds of 2007, Series 2 Not Subject to Alternative Minimum Tax \$3,835,000 General Obligation Refunding Bonds of 2007, Series 3 Subject to Alternative Minimum Tax (AMT) |
| Denominations: | Multiples of \$5,000 |
| Date of Issue: | Date of Delivery |
| Record Date: | April 15 and October 15 |
| Interest Payment: | May 1 and November 1, commencing May 1, 2008 |
| Maturities: | Series 2 Bonds: May 1, 2008-November 1, 2017, November 1, 2022, and November 1, 2027— <i>See inside front cover</i> Series 3 Bonds: May 1, 2026— <i>See inside front cover</i> |
| Redemption: | <i>Optional</i> —The Series 2 Bonds maturing on or after November 1, 2017 and all Series 3 Bonds are subject to optional redemption at par on May 1, 2017 or any date thereafter— <i>See page 3</i> <i>Sinking Fund</i> —The Series 2 Bonds maturing on November 1, 2022 and November 1, 2027 are subject to mandatory sinking fund redemption at par— <i>See pages 3-4</i> <i>Special</i> —All Bonds of both series are subject to special redemption at par— <i>See pages 4-6</i> |
| Form: | Book entry only— <i>See pages 7-8</i> |
| Paying Agent: | All payments of principal and interest on the Bonds will be paid by the Secretary of Administration. All payments initially will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein. |
| Security: | The Bonds are general obligations of the State of Wisconsin. As of October 1, 2007, general obligations of the State were outstanding in the principal amount of \$5,708,168,689. |
| Insurance: | Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds— <i>See pages 12-15</i> |
| Authority for Issuance: | The Bonds are issued under Article VIII of the Wisconsin Constitution and Chapters 18, 20, and 45 of the Wisconsin Statutes. |
| Purpose: | Proceeds are being used for the replacement refunding of certain outstanding general obligation bonds previously issued to fund veterans housing loans. |
| Additional General Obligation Debt: | The State may issue additional general obligation debt. |
| Legality of Investment: | State law provides that the Bonds are legal investments for all banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies. |
| Tax Exemption: | For both series of Bonds, interest is, for federal income tax purposes, excluded from gross income. Interest on the Series 2 Bonds is not an item of tax preference, while interest on the Series 3 Bonds is an item of tax preference, for purposes of the federal alternative minimum tax— <i>See pages 15-17</i> For both series of Bonds, interest is not excluded from current State of Wisconsin income and franchise taxes— <i>See page 16</i> |
| Legal Opinion: | Validity and tax opinion to be provided by Foley & Lardner LLP— <i>See APPENDIX B.</i> |

OFFICIAL STATEMENT
\$20,570,000
STATE OF WISCONSIN
\$16,735,000 GENERAL OBLIGATION REFUNDING BONDS OF 2007,
SERIES 2
Not Subject to Alternative Minimum Tax
\$3,835,000 GENERAL OBLIGATION REFUNDING BONDS OF 2007,
SERIES 3
Subject to Alternative Minimum Tax (AMT)

INTRODUCTION

This Official Statement provides information about two series of general obligation bonds (collectively, **Bonds**) that are being issued by the State of Wisconsin (**State**): the \$16,735,000 General Obligation Refunding Bonds of 2007, Series 2 (**Series 2 Bonds**) and the \$3,835,000 General Obligation Refunding Bonds of 2007, Series 3 (**Series 3 Bonds**). This Official Statement includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2006 (**2006 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, as well as an authorizing resolution that the State of Wisconsin Building Commission (**Commission**) adopted on September 19, 2007.

The Commission, an agency of the State, is empowered by law to authorize, issue, and sell all the State's general obligations. The Commission is assisted and staffed by the State of Wisconsin Department of Administration (**Department of Administration**).

The Commission has authorized the Department of Administration to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State, its financial condition, and its general obligation debt is included as **APPENDIX A**, which includes by reference Parts II and III of the 2006 Annual Report. **APPENDIX A** also includes information on the results of the 2006-07 fiscal year, the 2007-09 biennial budget and other changes or additions to Parts II and III of the 2006 Annual Report.

Requests for additional information about the State may be directed to:

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: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

PLAN OF REFUNDING

Loans under the State's veterans housing loan program are currently funded by either tax-exempt general obligations (**Tax-Exempt Veterans Mortgage Bonds**) or taxable general obligations (**Taxable Veterans Mortgage Bonds**), collectively referred to as **Veterans Mortgage Bonds**.

The Bonds (which are also Tax-Exempt Veterans Mortgage Bonds) are being issued for (1) the replacement refunding of certain Tax-Exempt Veterans Mortgage Bonds that mature on November 1, 2007, and (2) the replacement refunding of other Tax-Exempt Veterans Mortgage Bonds that are subject to optional and special redemption (**Refunded Bonds**). A summary of the Refunded Bonds is included as **APPENDIX C** to this Official Statement.

As a result of issuing the Bonds and the resulting replacement refunding, in which Bond proceeds will replace moneys on hand in the Veterans Mortgage Loan Repayment Fund (from the scheduled payment of, or from prepayments from, veterans housing loans) for the payment or redemption of the Refunded Bonds, approximately \$20.2 million attributable to the Refunded Bonds will be used to fund future housing loans to veterans who are "qualified veterans" under current federal tax law.

THE BONDS

General

The **inside front cover of this Official Statement** sets forth the maturity dates, amounts, and interest rates for both series of Bonds.

The Bonds will be dated their date of delivery (expected to be October 31, 2007) and will bear interest from that date payable on May 1 and November 1 of each year, beginning on May 1, 2008.

Interest on the Bonds will be computed on the basis of a 360-day year and twelve 30-day months. Payments of principal and interest for each Bond will be paid to the registered owner of the Bonds. The Bonds are being issued in book-entry-only form, to the registered owner will be a securities depository or its nominee. The Commission has appointed, as the securities depository for the Bonds, The Depository Trust Company, New York, New York (**DTC**). See "**THE BONDS; Book-Entry-Only Form**".

The Bonds are issued as fully registered bonds without coupons in principal denominations of \$5,000 or multiples of \$5,000.

Security

The Bonds are direct and general obligations of the State. The full faith, credit, and taxing power of the State are irrevocably pledged to make principal and interest payments on the Bonds. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of and interest on the Bonds as the Bonds mature and become due. The Bonds are secured equally with all other outstanding general obligations issued by the State.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (**Ambac Assurance**) simultaneously with the delivery of the Bonds. See "**OTHER INFORMATION; Payment Pursuant to Financial Guaranty Insurance Policy**".

Ratings

At the State's request, several rating agencies have rated the Bonds with the understanding that a financial guaranty insurance policy guaranteeing the scheduled payment of principal of and interest on the Bonds will be issued by Ambac Assurance concurrently with the delivery of the Bonds:

| <u>Rating</u> | <u>Rating Agency</u> |
|---------------|------------------------------------|
| AAA | Fitch Ratings |
| Aaa | Moody's Investors Service, Inc. |
| AAA | Standard & Poor's Ratings Services |

In addition, at the State's request, several rating agencies have assigned an underlying rating to the Bonds:

| <u>Underlying Rating</u> | <u>Rating Agency</u> |
|--------------------------|------------------------------------|
| AA- | Fitch Ratings |
| Aa3 | Moody's Investors Service, Inc. |
| AA- | Standard & Poor's Ratings Services |

Any explanation of what a rating means may only be obtained from the rating agency giving the rating. No one can offer any assurance that a rating given to the Bonds will be maintained for any period of time; a rating agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the Bonds.

Redemption Provisions

Optional Redemption

The Series 2 Bonds maturing on or after November 1, 2017 and all Series 3 Bonds are subject to optional redemption on May 1, 2017, or any date thereafter, in whole or in part in multiples of \$5,000, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date. The Commission may decide whether to redeem Bonds, and the Capital Finance Director may direct the amounts and maturities of the Bonds to be redeemed.

Mandatory Sinking Fund Redemption

The Series 2 Bonds due on November 1, 2022 (**Series 2—2022 Term Bonds**) are subject to redemption before their maturity date at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the date of redemption, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem the respective amount of the Series 2—2022 Term Bonds specified below:

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|------------------------|-------------------------|
| May 1, 2018 | \$ 220,000 |
| November 1, 2018 | 225,000 |
| May 1, 2019 | 230,000 |
| November 1, 2019 | 240,000 |
| May 1, 2020 | 245,000 |
| November 1, 2020 | 255,000 |
| May 1, 2021 | 260,000 |

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|---------------------------------|-------------------------|
| November 1, 2021 | \$ 270,000 |
| May 1, 2022 | 280,000 |
| November 1, 2022 ^(a) | 285,000 |

^(a) Stated Maturity

The Series 2 Bonds due on November 1, 2027 (**Series 2—2027 Term Bonds**) are subject to redemption before their maturity date at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the date of redemption, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem the respective amount of the Series 2—2027 Term Bonds specified below:

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|---------------------------------|-------------------------|
| May 1, 2023 | \$ 295,000 |
| November 1, 2023 | 305,000 |
| May 1, 2024 | 310,000 |
| November 1, 2024 | 325,000 |
| May 1, 2025 | 330,000 |
| November 1, 2025 | 345,000 |
| May 1, 2026 | 350,000 |
| November 1, 2026 | 365,000 |
| May 1, 2027 | 1,155,000 |
| November 1, 2027 ^(a) | 375,000 |

^(a) Stated Maturity

Optional or special redemption (or the purchase in lieu thereof) of the Series 2—2022 Term Bonds or Series 2—2027 Term Bonds (collectively, **Term Bonds**), for which sinking fund installments have been established, shall be applied to reduce the sinking fund installments established for the respective Term Bonds so redeemed or purchased in such manner as the Commission shall direct.

Special Redemption

All Bonds of both series are subject to special redemption before maturity (even if not subject to optional redemption as provided above), at the option of the Commission, on any date, in whole or in part, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the date of redemption, from:

- Prepayments of veterans housing loans funded from or attributed to *any* series of Tax-Exempt Veterans Mortgage Bonds.
- Payments on veterans housing loans, or interest or income on investments in certain accounts, including money available from the Insurance Reserve Account, in excess of amounts required to meet scheduled debt service on all Tax-Exempt Veterans Mortgage Bonds and other costs associated with the veterans housing loan program.
- Any unexpended money in the special loan subaccount that derives from the replacement refunding accomplished by the Bonds.

The first and second special redemption provisions listed above are commonly referred to as a “cross-call”. In the event of a partial redemption, the Commission shall direct the maturities of the Bonds and the amounts thereof so to be redeemed. Prepayments of mortgages originated with or attributed to any series of Taxable Veterans Mortgage Bonds may not be used for special redemption of Tax-Exempt Veterans Mortgage Bonds, and prepayments of mortgages originated with or attributed to any series of Tax-Exempt Veterans Mortgage Bonds may not be used for special redemption of Taxable Veterans Mortgage Bonds.

The State has outstanding nearly \$236 million of Tax-Exempt Veterans Mortgage Bonds, of which approximately \$231 million bear interest at a fixed rate. The following table presents information on the outstanding fixed-rate Tax-Exempt Veterans Mortgage Bonds that are subject to special redemption. Since this information is as of October 1, 2007, the Refunded Bonds are included within the following table. See APPENDIX C.

**Summary of Outstanding Tax-Exempt Veterans Mortgage Bonds
(Bearing Interest at Fixed Rates)
Subject to Special Redemption
October 1, 2007**

| <u>Series</u> | <u>Dated Date</u> | <u>Original Principal Amount Subject to Special Redemption</u> | <u>Outstanding Principal Amount Subject to Special Redemption</u> | <u>Range of Interest Rates on Outstanding Bonds</u> |
|---------------|-------------------|----------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------|
| 1993 Series 6 | 10/15/93 | \$ 20,000,000 | \$ 12,110,000 | 5.15–5.30% |
| 1993 Series 5 | 12/01/93 | 135,255,000 | 20,025,000 | 5.20–5.40 |
| 1994 Series 2 | 03/01/94 | 58,525,000 | 8,945,000 | 5.80–6.20 |
| 1994 Series 3 | 09/15/94 | 10,400,000 | 250,000 | 5.80 |
| 1994 Series C | 09/15/94 | 45,000,000 | 3,415,000 | 6.40–6.65 |
| 1995 Series 1 | 02/15/95 | 15,735,000 | 895,000 | 6.00 |
| 1995 Series B | 02/15/95 | 29,265,000 | 670,000 | 6.50 |
| 1995 Series 2 | 10/15/95 | 42,850,000 | 5,995,000 | 5.75 |
| 1996 Series B | 05/15/96 | 45,000,000 | 2,725,000 | 6.20 |
| 1996 Series D | 10/15/96 | 30,000,000 | 2,715,000 | 6.00 |
| 1997 Series A | 03/15/97 | 21,360,000 | 1,745,000 | 6.00 |
| 1997 Series 1 | 03/15/97 | 23,640,000 | 2,030,000 | 5.75 |
| 1997 Series C | 09/15/97 | 45,000,000 | 7,855,000 | 5.40–5.50 |
| 1998 Series B | 05/15/98 | 30,565,000 | 12,130,000 | 5.30–5.35 |
| 1998 Series E | 10/15/98 | 6,155,000 | 5,270,000 | 4.60–4.80 |
| 1999 Series 1 | 05/01/99 | 15,790,000 | 8,945,000 | 4.60–5.30 |
| 2003 Series 2 | 04/01/03 | 13,740,000 | 13,195,000 | 2.85–5.00 |
| 2003 Series 3 | 10/30/03 | 67,890,000 | 60,825,000 | 2.25–5.00 |
| 2006 Series C | 08/02/06 | 61,685,000 | <u>61,685,000</u> | 4.00–5.00 |
| | | | <u>\$ 231,425,000</u> | |

The outstanding Tax-Exempt Veterans Mortgage Bonds also include the State’s \$4,445,000 General Obligation Extendible Municipal Commercial Paper of 2006, Series C (Subject to Alternative Minimum Tax). These variable-rate notes are not subject to redemption before maturity, but the original maturity date of each note may not exceed 180 days, and available proceeds may be applied to pay for maturing notes.

The State has historically received, and expects to continue to receive, prepayments of veterans housing loans funded with Tax-Exempt Veterans Mortgage Bonds. Part III of the 2006 Annual Report includes a summary of the prepayments received over the past three years. See APPENDIX A, which incorporates by reference Parts II and III of the 2006 Annual Report. The State may use, and has from time to time used, veterans housing loan prepayments to make new veterans

housing loans. If the State determines that it is not feasible to make new veterans housing loans, the State intends to use these prepayments to purchase or redeem Tax-Exempt Veterans Mortgage Bonds, as determined by the Commission.

Prior to calendar year 2002, it had been the working policy of the Department of Administration, on behalf of the Commission, to call Tax-Exempt Veterans Mortgage Bonds for special redemption based on the highest estimated market price, while taking into consideration the Legislature’s mandate that the veterans housing loan program be self-amortizing. Since that time, this working policy has been modified from time to time to address both (1) the impact special redemption cross-calls have on both the cash flow that supports all Veterans Mortgage Bonds, and (2) compliance with applicable federal tax law restrictions. This working policy may be further modified from time to time and is subject to change at any time.

The most recent special redemption of fixed-rate Tax-Exempt Veterans Mortgage Bonds occurred on March 1, 2006.

Selection of Bonds

If less than all the Bonds of a particular maturity are to be redeemed, the selection of Bonds to be redeemed depends on whether or not the Bonds are in book-entry-only form. See “**THE BONDS; Book-Entry-Only Form**”. If the Bonds are in book-entry-only form, selection of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules. If the Bonds are not in book-entry-only form, then selection will be by lot.

Notice of Redemption

If the Bonds are in book-entry-only form, any redemption notice will be sent to the securities depository between 30 and 60 days before the redemption date. A redemption notice may be revoked by sending notice to the securities depository at least 15 days before the proposed redemption date.

If the Bonds are not in book-entry-only form, any redemption notice will be published between 30 and 60 days before the date of redemption in a financial newspaper published or circulated in New York, New York. The notice will also be mailed, postage prepaid, between 30 and 60 days before the redemption date to the registered owners of any Bonds to be redeemed. The mailing, however, will not be a condition to the redemption; any proceedings to redeem the Bonds will still be effective even if the notice is not given. A redemption notice may be revoked by publication of a notice at least 15 days before the proposed redemption date in a financial newspaper published or circulated in New York, New York. The revocation notice will also be mailed, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Bonds to have been redeemed. The mailing, however, will not be a condition to the revocation; the revocation will still be effective even if the notice is not given.

Interest on any Bond called for redemption will cease to accrue on the redemption date so long as the Bond is paid or money is provided for its payment.

Sources and Uses of Funds

The proceeds from the sale of the Bonds are expected to be used as follows:

| | |
|-------------------------------------|-------------------------|
| Sources | |
| Principal Amount of the Bonds | \$ 20,570,000.00 |
| Original Issue Discount | <u>(207,228.35)</u> |
| TOTAL SOURCES | <u>\$ 20,362,771.65</u> |

| | |
|----------------------------------------------------|-------------------------|
| Uses | |
| Deposit to Bond Security and Redemption Fund | \$ 20,150,000.00 |
| Underwriters' Discount | 161,848.94 |
| Bond Insurance Premium | 48,323.55 |
| Applied to Costs of Issuance | <u>2,599.16</u> |
| TOTAL USES | <u>\$ 20,362,771.65</u> |

Registration and Payment of Bonds

How the Bonds are paid depends on whether or not they are in book-entry-only form.

If the Bonds are in book-entry-only form, then payment of principal will be made by wire transfer to the securities depository or its nominee by the **Paying Agent**—which is the Secretary of Administration. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

If the Bonds are not in book-entry-only form, then payment of principal will be made by check or draft issued upon the presentation and surrender of the Bonds at the principal office of the Paying Agent, as designated by the Commission. Payment of interest due on the Bonds will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the **Record Date**—which is the 15th day (whether or not a business day) of the calendar month before the interest payment date.

Book-Entry-Only Form

The Bonds will initially be issued in book-entry-only form. Purchasers of the Bonds will not receive bond certificates but instead will have their ownership in the Bonds recorded in the book-entry system.

Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the Bonds. Ownership of the Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). All transfers of ownership in the Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The State will make all payments of principal of, and interest on and any redemption premium on, the Bonds to DTC. Owners of the Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State will provide notices and other communications about the Bonds to DTC. Owners of the Bonds will receive any notices or communications through the DTC Participants. In any situation involving voting rights, DTC will not vote but will rather give a proxy through the DTC Participants.

Redemption

If less than all of the Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the Bonds to be redeemed from each DTC Participant.

Discontinued Service

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, Bond certificates would be executed and delivered to DTC Participants.

Further Information

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. The State is not responsible for any information available on DTC's web site. That information may be subject to change without notice.

The State is not responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Bonds or to follow the procedures established by DTC for its book-entry system.

VETERANS HOUSING LOAN PROGRAM

General

The veterans housing loan program, operated by the State of Wisconsin Department of Veterans Affairs (DVA), is one of the larger revenue-supported general obligation bonding programs of the State. Lending activities under the program began in 1974. The program is currently funded by Veterans Mortgage Bonds.

Veterans Housing Loan Program Requirements

A veteran who wishes to purchase, build, or purchase and rehabilitate a home that satisfies certain cost or value limitations in relation to the veteran's income may apply for a veterans housing loan, which is also considered to be a primary mortgage housing loan. This loan may be for the purchase of an existing home, for a construction loan, for refinancing the balance due on a construction period loan, bridge loan, or other financing with a term of 24 months or less, or for a combined purchase and rehabilitation loan of up to 95% of the home's value for a term not exceeding 30 years. A loan application is reviewed first by a local lending institution and then by DVA. If the application is approved, the local lending institution originates the loan as agent for DVA and acts as loan servicer thereafter. There are numerous other standards required to be satisfied as part of underwriting. The loan must be secured by a first, or primary, mortgage on the home, and the shelter-cost ratio must generally be less than 25% of income. This ratio may go up to as much as 33% under certain favorable credit circumstances or must be reduced if certain credit risks are present. The originator of the home loan may charge the veteran an origination fee of one point (approximately two points in the case of construction loans and three points on the rehabilitation portion of purchase-and-rehabilitation loans).

Home Improvement Loan Program (HILP)

In addition to veterans housing loans that are considered primary mortgage housing loans, as described above, DVA also makes HILP loans that are funded solely with proceeds of Taxable Veterans Mortgage Bonds, or prepayments of loans previously funded with Taxable Veterans Mortgage Bonds. This program has a maximum loan amount of 90% of the equity in the home and is processed through county veterans service officers rather than lending institutions. HILP loans have terms of 5, 7, 10, or 15 years and have different loan interest rates for differing terms and differing loan-to-value ratios. HILP loans in excess of \$3,000 are secured by either a first or second mortgage on the improved property and require a minimum equity position of 10% after considering the HILP loan. HILP loans under \$3,000 may be guaranteed by a guarantor or secured by a first or second mortgage. HILP loans use the same basic underwriting standards as the primary mortgage housing loans but do not include loan-servicing charges.

Mortgage Interest Rates

It has been the policy of DVA to set the interest rate charged to a veteran at a level sufficient to pay the debt service on the Veterans Mortgage Bonds funding the loan, the cost of program administration, and if deemed necessary, a loan loss reserve (which since 1985 has been charged to fund the Insurance Reserve Account described below).

In setting the interest rate, DVA has previously chosen to provide a subsidy for veterans primary mortgage housing loans, and some HILP loans, funded with some, but not all, of the Taxable Veterans Mortgage Bonds. The result is that the lending rate may be lower than the true interest cost rate on the Taxable Veterans Mortgage Bonds issued to fund those loans.

With respect to veterans primary mortgage housing loans, DVA has not determined whether any subsidy or similar arrangement will be available to such loans funded with future issues of Taxable Veterans Mortgage Bonds. With respect to HILP loans, DVA has a policy that requires interest rates established for HILP loans include a minimum mark-up over the cost of money to make such loan, which would include a mark-up over the true interest cost rate on any future Taxable Veterans Mortgage Bonds issued to fund HILP loans. This policy includes provisions that DVA must complete in advance if it desires to deviate from this policy.

Default Risks and Other Information

Veterans Mortgage Bonds issued prior to 1985 assumed that a certain amount of prepayments would be made when estimating program cash flow. No prepayments have been assumed in scheduling principal payments for Veterans Mortgage Bonds issued since 1985. Based on asset and liability balances as of June 30, 2006 and existing DVA assumptions, the cash flow of the mortgages on August 31, 2007 was sufficient to meet future debt service payments. A loan under the veterans housing loan program may be assumed only by another qualifying veteran.

After deducting a servicing charge (.375% per annum), the participating lender deposits the veteran's monthly loan repayments and any prepayments into the Veterans Mortgage Loan Repayment Fund, a segregated statutory fund. An irrevocable appropriation is provided by law as a first charge on assets of the Repayment Fund in a sum sufficient to provide for the repayment of principal of, premium, if any, and interest on State general obligations issued to fund the program.

Program loans financed with Veterans Mortgage Bonds are not required to be insured or guaranteed (casualty insurance coverage is, however, required). Instead, the default risk with respect to such loans is borne by the program. The ability of DVA to dispose of defaulted properties and realize the amount of the outstanding principal balances of the related loans has varied in recent years depending upon the location of the properties within the State and their physical condition upon foreclosure. Although DVA expects that it will continue to experience liquidation losses, it also expects that such losses will not require recourse to the State's General Fund but rather will be covered by the Insurance Reserve Account within the Fund. As of August 31, 2007, of the 3,364 outstanding primary mortgage housing loans financed by the veterans housing loan program, there were 28 loans in an aggregate principal amount of approximately \$1.8 million for which payments were 60 days or longer past due. The insurance reserve requirement (4% of outstanding loans) is currently satisfied.

OTHER INFORMATION

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. The annual limit is currently \$3,734,402,615, and the aggregate limit is currently \$24,896,017,435. A funding or refunding obligation does not count for purposes of the annual debt limit or the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations. As of October 1, 2007, general obligations of the State were outstanding in the principal amount of \$5,708,168,689.

Borrowing Plans for 2007

General Obligations

The Bonds are the fourth and fifth series of general obligations to be issued in this calendar year. The State has previously issued two series of general obligation bonds in the aggregate par amount of \$308 million for general governmental purposes and one series of general obligation refunding bonds in the par amount of \$299 million for the refunding of general obligation bonds previously issued for general governmental purposes.

The Commission has authorized, in addition to the Bonds, the issuance of the following general obligations:

- Up to \$350 million of general obligation refunding bonds to refund general obligation bonds previously issued for general governmental purposes. The amount and timing of any issuance of general obligation refunding bonds depend on market conditions.
- Up to \$157 million of general obligations for general governmental purposes, which may be issued in the fourth quarter in the form of bonds, commercial paper notes, or extendible municipal commercial paper.
- Up to \$25 million of general obligations for the veterans housing loan program, which may be in the form of bonds or extendible municipal commercial paper. The amount and timing of any issuance of general obligations depend on originations of veterans housing loans and legislative approval of borrowing authority for this purpose.
- Up to \$41 million of additional general obligation refunding bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any additional issuance of general obligation refunding bonds depend on market conditions.
- General obligations for funding previously issued and outstanding general obligation extendible municipal commercial paper. This funding may occur in the fourth quarter and would be in the form of extendible municipal commercial paper issued pursuant to a new program resolution.

Other Obligations

The State has issued two series of transportation revenue bonds in this calendar year: \$149 million of transportation revenue bonds to fund projects and \$207 million of transportation revenue refunding bonds for the refunding of transportation revenue bonds previously issued to fund projects. The Commission has also authorized up to \$250 million of transportation revenue refunding bonds to refund previously issued transportation revenue bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend on market conditions.

The Commission has authorized up to \$125 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. The amount and timing of any issuance of clean water revenue refunding bonds depend on market conditions. The Commission has also authorized up to \$150 million of clean water revenue bonds to fund additional loans in the Clean Water Fund Program. The amount and timing of any issuance of revenue bonds depend on loan activity in the Clean Water Fund Program.

The State has issued \$600 million of operating notes in this calendar year for the 2007-08 fiscal year.

Underwriting

The Bonds are being purchased by the **Underwriters**, for which Merrill Lynch & Co. is acting as the representative. The Underwriters have agreed, subject to certain conditions, to purchase from the State the Bonds at an aggregate purchase price, not including accrued interest, of \$20,200,922.71 (reflecting an aggregate original issue discount of \$207,228.35 and underwriters' discount of \$161,848.94). The Underwriters have agreed to reoffer both series of Bonds at the public offering prices or yields set forth on the inside front cover of this Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions, and they will be obligated to purchase all the Bonds of both series if any Bonds are purchased.

Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP.

Reference Information About the Bonds

Both the tables on the following page and the **tables on the inside front cover** include information about the Bonds and are provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the reoffering yields and prices. For each of the Bonds subject to optional redemption, the dollar price at issuance is computed to the lower of the yield to the first optional call date or the yield to the nominal maturity date.

Quantitative Analyst

The State has employed cfX Incorporated to review, and to provide quantitative analysis regarding, the cash flow of the veterans housing loan program to assure fulfillment of the legislative mandate that the program be self-amortizing. In addition, cfX Incorporated has provided analysis on the plan of refunding and the structure of the Bonds.

Legal Investment

State law provides that the Bonds are legal investments for the following:

- Banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business.
- Personal representatives, guardians, trustees, and other fiduciaries.
- The State and all public officers, municipal corporations, political subdivisions, and public bodies.

\$16,735,000
State of Wisconsin
General Obligation Refunding Bonds of 2007, Series 2
Not Subject to Alternative Minimum Tax

Dated Date: Date of Delivery

First Interest Date: May 1, 2008

Closing/Settlement: On or about October 31, 2007

Special Redemption: The Bonds are subject to special redemption at par. See "THE BONDS; Redemption Provisions".

| CUSIP | Maturity Date | Principal Amount | Interest Rate | Yield at Issuance | Price at Issuance | First Optional Call Date | Call Price |
|------------|----------------------|------------------|---------------|-------------------|-------------------|--------------------------|------------|
| 97705L PZ4 | May 1, 2008 | \$ 60,000 | 3.500% | 3.500% | 100% | Not Callable | - |
| 97705L QA8 | November 1, 2008 | 120,000 | 3.500 | 3.500 | 100 | Not Callable | - |
| 97705L QB6 | May 1, 2009 | 130,000 | 3.550 | 3.550 | 100 | Not Callable | - |
| 97705L QC4 | November 1, 2009 | 130,000 | 3.550 | 3.550 | 100 | Not Callable | - |
| 97705L QD2 | May 1, 2010 | 135,000 | 3.625 | 3.625 | 100 | Not Callable | - |
| 97705L QE0 | November 1, 2010 | 140,000 | 3.625 | 3.625 | 100 | Not Callable | - |
| 97705L QF7 | May 1, 2011 | 145,000 | 3.700 | 3.700 | 100 | Not Callable | - |
| 97705L QG5 | November 1, 2011 | 145,000 | 3.700 | 3.700 | 100 | Not Callable | - |
| 97705L QH3 | May 1, 2012 | 155,000 | 3.800 | 3.800 | 100 | Not Callable | - |
| 97705L QJ9 | November 1, 2012 | 155,000 | 3.800 | 3.800 | 100 | Not Callable | - |
| 97705L QK6 | May 1, 2013 | 165,000 | 3.850 | 3.850 | 100 | Not Callable | - |
| 97705L QL4 | November 1, 2013 | 165,000 | 3.850 | 3.850 | 100 | Not Callable | - |
| 97705L QM2 | May 1, 2014 | 170,000 | 3.950 | 3.950 | 100 | Not Callable | - |
| 97705L QN0 | November 1, 2014 | 180,000 | 3.950 | 3.950 | 100 | Not Callable | - |
| 97705L QP5 | May 1, 2015 | 180,000 | 4.050 | 4.050 | 100 | Not Callable | - |
| 97705L QQ3 | November 1, 2015 | 570,000 | 4.050 | 4.050 | 100 | Not Callable | - |
| 97705L QR1 | May 1, 2016 | 195,000 | 4.125 | 4.150 | 99.822 | Not Callable | - |
| 97705L QS9 | November 1, 2016 | 6,715,000 | 4.125 | 4.150 | 99.813 | Not Callable | - |
| 97705L QT7 | May 1, 2017 | 205,000 | 4.250 | 4.250 | 100 | Not Callable | - |
| 97705L QU4 | November 1, 2017 | 210,000 | 4.250 | 4.250 | 100 | 5/1/2017 | 100% |
| 97705L QV2 | November 1, 2022 (a) | 2,510,000 | 4.375 | 4.550 | 98.112 | 5/1/2017 | 100 |
| 97705L QW0 | November 1, 2027 (a) | 4,155,000 | 4.500 | 4.750 | 96.795 | 5/1/2017 | 100 |

^(a) These maturities are term bonds. For a schedule of the mandatory sinking fund redemption payments, see "THE BONDS; Redemption Provisions; *Mandatory Sinking Fund Redemption*".

\$3,835,000
State of Wisconsin
General Obligation Refunding Bonds of 2007, Series 3
Subject to Alternative Minimum Tax (AMT)

Dated Date: Date of Delivery

First Interest Date: May 1, 2008

Closing/Settlement: On or about October 31, 2007

Special Redemption: The Bonds are subject to special redemption at par. See "THE BONDS; Redemption Provisions".

| CUSIP | Maturity Date | Principal Amount | Interest Rate | Yield at Issuance | Price at Issuance | First Optional Call Date | Call Price |
|------------|---------------|------------------|---------------|-------------------|-------------------|--------------------------|------------|
| 97705L QX8 | May 1, 2026 | \$ 3,835,000 | 5.000% | 5.030% | 99.641% | 5/1/2017 | 100% |

Payment Pursuant to Financial Guaranty Insurance Policy

The following information has been furnished by Ambac Assurance for use in this Official Statement; the State is not responsible for, and it makes no representation as to the adequacy of, the following information. Reference is made to **APPENDIX D** for a specimen of Ambac Assurance's financial guaranty insurance policy.

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (**Financial Guaranty Insurance Policy**) relating to the Bonds, effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (**Insurance Trustee**), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are

defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay the principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Paying Agent has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bonds, appurtenant coupon, if any, or right to payment of the principal of or interest on such Bonds and will be fully subrogated to the surrendering holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and

the U.S. Virgin Islands, with admitted assets of approximately \$10,391,000,000 (unaudited) and statutory capital of approximately \$6,730,000,000 (unaudited) as of June 30, 2007. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

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 the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

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, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "OTHER INFORMATION; Payment Pursuant to Financial Guaranty Insurance Policy".

Available Information

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**). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

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 is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

- The Company's Annual Report on *Form 10-K* for the fiscal year ended December 31, 2006 and filed on March 1, 2007;
- The Company's Current Report on *Form 8-K* dated and filed on April 25, 2007;
- The Company's Quarterly Report on *Form 10-Q* for the fiscal quarterly period ended March 31, 2007 and filed on May 10, 2007;
- The Company's Current Report on *Form 8-K* dated and filed on July 25, 2007;
- The Company's Current Report on *Form 8-K* dated and filed on August 3, 2007;

- The Company's Quarterly Report on *Form 10-Q* for the fiscal quarterly period ended June 30, 2007 and filed on August 9, 2007; and
- The Company's Current Report on *Form 8-K* dated October 10, 2007 and filed on October 11, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

Legal Opinions

Bond Opinion

Legal matters relating to the authorization, issuance, and sale of the Bonds are subject to the approval of **Bond Counsel**, which is Foley & Lardner LLP. Bond Counsel will deliver an approving opinion when the Bonds are delivered, in substantially the form shown in **APPENDIX B**. If certificated Bonds were issued, then the opinion would be printed on the reverse side of each Bond.

Attorney General

As required by law, the office of the Attorney General will examine a certified copy of all proceedings leading to issuance of the Bonds. The Attorney General will deliver an opinion on the regularity and validity of the proceedings. The Attorney General's opinion will also state that there is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the Bonds, and there also is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, in any way contesting or affecting (1) the titles to their respective offices of any of the State officers involved in the issuance of the Bonds, (2) the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale of the Bonds, or (3) the pledge or application of any moneys or security provided for the payment of the Bonds.

If certificated Bonds were issued, then a certificate of the Attorney General would be printed on the reverse side of each Bond.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law and for both series of Bonds, interest is excluded from gross income for federal income tax purposes. Interest on the Series 2 Bonds is not an item of tax preference, but interest on the Series 3 Bonds is an item of tax preference, for purposes of the federal alternative minimum tax imposed on all taxpayers.

As to questions of fact material to Bond Counsel's opinion, Bond Counsel has relied upon certified proceedings and certifications of public officials and others without independently undertaking to verify them. Moreover, the State must comply with all requirements of the Internal Revenue Code of 1986, as amended (**Code**), that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has promised to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date the Bonds were issued. The proceedings authorizing the Bonds do not provide for an increase in interest rates or a redemption of the Bonds in the event interest on the Bonds ceases to be excluded from gross income.

Certain requirements and procedures contained or referred to in the authorizing resolution and other relevant documents may be changed, and certain actions may be taken or omitted, under the

circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel does not express any opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal taxation, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending federal legislation, as to which Bond Counsel expresses no view.

The opinion of Bond Counsel is based on legal authorities that are current as of its date, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment regarding the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (**IRS**) or the courts, and it is not a guarantee of result. Furthermore, Bond Counsel cannot give, and has not given, any opinion or assurance about the future activities of the State or about the effect of changes to the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the IRS.

The IRS has an active tax-exempt bond enforcement program. Bond Counsel is not obligated to defend the State regarding the tax-exempt status of the Bonds in the event of an examination by the IRS. Under current IRS procedures, the owners of the Bonds and other parties other than the State would have little, if any, right to participate in an IRS examination of the Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt obligations is difficult, obtaining independent review of IRS positions with which the State legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for examination, or the course or result of such an examination, or an examination of obligations presenting similar tax issues may affect the market price, or the marketability of the Bonds, and may cause the State or the owners of the Bonds to incur significant expense.

Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the Bonds for particular owners of Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a Bond.

State of Wisconsin Income and Franchise Taxes

For both series of Bonds, interest is not excluded from current State of Wisconsin income and franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a Bond.

Discount Bonds

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Series 2 Bond maturing on May 1, 2016, November 1, 2016, November 1, 2022, and November 1, 2027 and each Series 3 Bond (each, a **Discount Bond**), to the extent properly allocable to the owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is, or would be, excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (**Issue Price**).

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals:

- The Issue Price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, *multiplied* by the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period),
- *Less* any interest payable on the Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in the Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Discount Bond.

Owners of Discount Bonds who do not purchase their Discount Bonds in the initial offering at the Issue Price should consult their own tax advisors with respect to the tax consequences of owning Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**) for the State. The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. At this time, there is no SID for the State. [Part I of the 2006 Annual Report](#), which contains information on the undertaking, is included by reference as part of this Official Statement.

Copies of the Annual Reports and notices may be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the NRMSIRS, or the MSRB, and to any SID. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

Dated: October 18, 2007

STATE OF WISCONSIN

/S/ JIM DOYLE

Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/S/ MICHAEL L. MORGAN

Michael L. Morgan, Secretary
State of Wisconsin Department of Administration

/S/ DAVID W. HELBACH

David W. Helbach, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin (**State**), as contained in Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2006 (**2006 Annual Report**). This Appendix includes information on the results of the 2006-07 fiscal year, the 2007-09 biennial budget and other changes or additions to the information presented in Parts II and III of the 2006 Annual Report.

[Part II of the 2006 Annual Report](#) contains general information about the State. More specifically, that part presents information about the following matters:

- State's operations and financial procedures
- State's accounting and financial reporting
- Organization of, and services provided by, the State
- Results of fiscal year 2005-06
- State budget
- Potential effects of litigation
- Obligations of the State
- State Investment Board
- Statistical information about the State's population, income, and employment

Included as [APPENDIX A to Part II of the 2006 Annual Report](#) are the audited general purpose external financial statements for the fiscal year ending June 30, 2006, prepared in conformity with generally accepted accounting principles (**GAAP**) for governments as prescribed by the Government Accounting Standards Board, and the State Auditors' report.

[Part III of the 2006 Annual Report](#) contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligations (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligations and the portion of outstanding general obligations that is revenue supported.

The 2006 Annual Report has been filed with each nationally recognized municipal securities information repository (**NRMSIR**) and is also available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

Copies of the 2006 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov

After publication and filing of the 2006 Annual Report, certain changes or events have occurred that affect items discussed in the 2006 Annual Report. Listed below, by reference to particular sections of Parts II and III of the 2006 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the

NRMSIRs, some of which may describe occurrences other than listed material events under the State’s Master Agreement on Continuing Disclosure.

State Budget; Budget for 2006-07 Fiscal Year (Part II; Pages 28-32). Add the following:

Deposit Into Budget Stabilization Fund

As included in the State’s Annual Fiscal Report for the 2006-07 fiscal year (unaudited, budgetary basis), a transfer of \$55.6 million has been made from the General Fund to the State’s budget stabilization fund (which is a “rainy day fund”). The governor announced this transfer on September 11, 2007, based on the preliminary general fund tax collections released by the Department of Revenue (DOR) on September 10, 2007. This transfer was completed pursuant to statutory provisions addressing revenues received over original budget estimates.

Results of 2006-07 Fiscal Year

The State’s Annual Fiscal Report includes the ending general fund balance for the 2006-07 fiscal year (unaudited, budgetary basis) and was released on October 15, 2007. It reports the State ended the 2006-07 fiscal year on a statutory and unaudited basis with an undesignated balance of \$66.3 million. The balance would have been \$55.6 million higher had the transfer to the Budget Stabilization Fund not occurred. The State did not issue any operating notes during the 2006-07 fiscal year.

This Annual Fiscal Report is available from its date of publication on the website, or from the address, shown on [page A-1](#) of this Official Statement.

Preliminary General Fund Tax Collections—September 10, 2007

On September 10, 2007, the DOR released preliminary General Fund tax collections for the 2006-07 fiscal year. General fund tax collections, on a budgetary basis, are about \$584 million, or 4.9%, above collections in the 2005-06 fiscal year. Subsequent to filing of the 2006 Annual Report, various updates to General Fund tax collection projections for the 2006-07 fiscal year have been provided by either the Legislative Fiscal Bureau (LFB) or DOR. The following table provides a summary of DOR preliminary General Fund tax collections compared to previous projections.

**Preliminary General Fund Tax Collections Compared to Previous Projections
2006-07 Fiscal Year
(in Millions)**

| | DOR Projections | LFB Projections | LFB Projections | DOR Preliminary | Difference |
|--------------------------|----------------------|---------------------|------------------|-----------------------|-------------------------------------------------------------------------|
| | <u>November 2006</u> | <u>January 2007</u> | <u>June 2007</u> | <u>September 2007</u> | (DOR Sept. 2007 Preliminary to DOR <u>Nov. 2006 Projections</u>) |
| Individual Income | \$ 6,457.9 | \$ 6,480.0 | \$ 6,555.0 | \$ 6,573.8 | \$ 115.9 |
| Sales and Use | 4,212.9 | 4,210.0 | 4,160.0 | 4,154.4 | (58.5) |
| Corp. Income & Franchise | 856.6 | 880.0 | 890.0 | 890.1 | 33.5 |
| Public Utility | 269.4 | 282.7 | 282.7 | 284.9 | 15.5 |
| Excise | | | | | |
| Cigarettes | 300.7 | 303.0 | 298.0 | 296.1 | (4.6) |
| Liquor & Wine | 42.1 | 42.0 | 42.0 | 42.7 | 0.6 |
| Tobacco Products | 17.7 | 17.5 | 17.5 | 17.5 | (0.2) |
| Beer | 9.4 | 9.4 | 9.4 | 9.5 | 0.1 |
| Insurance Company | 141.3 | 138.0 | 140.0 | 141.4 | 0.1 |
| Estate | 93.6 | 100.0 | 117.0 | 121.1 | 27.5 |
| Miscellaneous Taxes | <u>89.3</u> | <u>80.0</u> | <u>80.0</u> | <u>82.1</u> | <u>(7.2)</u> |
| TOTAL | \$12,490.9 | \$12,542.6 | \$12,591.6 | \$12,613.7 | \$ 122.7 |

As outlined in the January 30, 2007 LFB memorandum accompanying the projections at that time, the estimates of collection of sales and use taxes did not reflect the then recent court of appeals decision on sales tax paid on certain customized computer software. See **“STATE BUDGET; POTENTIAL EFFECT OF**

LITIGATION; Sales Tax on Customized Computer Software” in this Appendix. A complete copy of the January 30, 2007 LFB memorandum is available from the address shown on [page A-1](#) of this Official Statement.

2007 Wisconsin Act 5 (Budget Adjustments)

On March 16, 2007, Governor Doyle signed into law budget adjustments for the 2006-07 fiscal year (2007 Wisconsin Act 5). This act addressed the shortfalls in four programs that were identified in the January 30, 2007 LFB memorandum. The following table shows the estimated General Fund condition statement for the 2006-07 fiscal year that reflects the provisions of this act. This table also includes, for comparison, the estimated General Fund condition statements that were shown in (1) the January 30, 2007 LFB memorandum, and (2) report released by the State of Wisconsin Department of Administration (DOA) on November 20, 2006.

**Estimated General Fund Condition Statement
2006-07 Fiscal Year
(in Millions)**

| | <u>March 16, 2007 2007 Wisconsin Act 5</u> | <u>January 30, 2007 LFB Memorandum</u> | <u>November 20, 2006 DOA Report</u> |
|---------------------------------------------|------------------------------------------------|--------------------------------------------|-----------------------------------------|
| Revenues | | | |
| Opening Balance | \$ 49.2 | \$ 49.2 | \$ 49.2 |
| Taxes | 12,542.6 | 12,542.6 | 12,490.9 |
| Department Revenues | | | |
| Tribal Gaming | 75.6 | 75.6 | 92.7 |
| Other | <u>519.5</u> | <u>497.3</u> | <u>497.8</u> |
| Total Available | 13,186.9 | 13,164.7 | 13,130.7 |
| Appropriations | | | |
| Gross Appropriations | 13,199.0 | 13,217.6 | 13,217.6 |
| Compensation Reserves | 178.3 | 178.3 | 178.3 |
| Transfers to Medical Assistance Trust Fund | 25.4 | 25.4 | 25.4 |
| Less: Lapses and Sum Sufficient Reestimates | <u>(287.6)</u> | <u>(367.2)</u> | <u>(360.7)</u> |
| Net Appropriations | 13,115.1 | 13,054.1 | 13,060.6 |
| Balances | | | |
| Gross Balance | 71.7 | 110.7 | 70.0 |
| Less: Required Statutory Balance | <u>(65.0)</u> | <u>(65.0)</u> | <u>(65.0)</u> |
| Net Balance, June 30 | \$ 6.7 | \$ 45.7 | \$ 5.0 |

A complete copy of the January 30, 2007 LFB memorandum is available from the address shown on [page A-1](#) of this Official Statement.

State Budget; Budget for 2007-09 Biennium (Part II–Page 33). Add the following:

Status of Budget for 2007-08 Fiscal Year

The State’s 2007-08 fiscal year, which is the first year of the 2007-09 biennium, commenced on July 1, 2007. As of the date of this Official Statement, the Wisconsin legislature has not yet approved a budget for the 2007-08 fiscal year. As provided for in Wisconsin Statutes, the appropriations from the 2006-07 fiscal year automatically continue until the budget for the 2007-08 fiscal year is enacted. While no interruption will occur with debt service payments, these continuing appropriations may not be sufficient to fund operational costs for the entire 2007-08 fiscal year.

The continuing authority of appropriations from the 2006-07 fiscal year into the 2007-08 fiscal year is pursuant to Wisconsin Statutes. It has been common for delays to occur in adoption of the State’s budget; since 1967, the latest that a budget has been adopted is just over 4 months into the first fiscal year of the

biennium. When the Wisconsin legislature approves a budget for the 2007-08 fiscal year, such budget bill is forwarded to the governor for enactment. Pursuant to the Wisconsin Constitution, the governor has the power of partial veto, which allows the governor to selectively delete portions of the budget bill. As with any veto, the Wisconsin legislature may, with a two-thirds vote by each house, override any partial veto and enact the vetoed portion into law.

Governor's Proposed Budget for 2007-09 Biennium

Governor Doyle's proposed budget for the 2007-08 and 2008-09 fiscal years was introduced on February 13, 2007. The following estimated General Fund condition statement for the 2007-08 and 2008-09 fiscal years is based on the governor's proposed budget.

**Estimated General Fund Condition Statement
2007-08 and 2008-09 Fiscal Years
(in Millions)**

| | <u>Governor's Proposed Budget 2007-08 Fiscal Year</u> | <u>Governor's Proposed Budget 2008-09 Fiscal Year</u> |
|----------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Revenues | | |
| Opening Balance | \$ 80.1 | \$ 131.0 |
| Taxes | 12,883.3 | 13,309.5 |
| Department Revenues | | |
| Tribal Gaming | 47.2 | 51.1 |
| Other | <u>416.0</u> | <u>394.7</u> |
| Total Available | 13,426.8 | 13,886.3 |
| Appropriations | | |
| Gross Appropriations | 13,442.1 | 13,800.4 |
| Compensation Reserves | 67.8 | 172.5 |
| Less: Lapses | <u>(214.2)</u> | <u>(218.8)</u> |
| Net Appropriations | 13,295.7 | 13,754.2 |
| Balances | | |
| Gross Balance | 131.0 | 132.1 |
| Less: Required Statutory Balance | <u>(130.0)</u> | <u>(130.0)</u> |
| Net Balance, June 30 | \$ 1.0 | \$ 2.1 |

Detailed tables containing information on the governor's proposed budget for the 2007-08 and 2008-09 fiscal years can be found on pages [A-5](#) and [A-6](#). More information about the governor's proposed budget for the 2007-09 biennium may also be obtained from the address shown on [page A-1](#) of this Official Statement.

LFB Projected General Fund Tax Collections—January 30, 2007

The projections of General Fund tax collections released by LFB on January 30, 2007 also include revenue estimates for the 2007-09 biennium, namely, \$12.941 billion for the 2007-08 fiscal year and \$13.398 billion for the 2008-09 fiscal year, or annual increases of 3.2% and 3.5%, respectively. These respective amounts are lower than estimates included in the November 20, 2006 DOA report by less than \$1 million for the 2007-08 fiscal year and about \$64 million for the 2008-09 fiscal year. A complete copy of the January 30, 2007 LFB memorandum is available from the address shown on [page A-1](#) of this Official Statement.

Table II-4; State Budget—General Fund (Part II—Page 31). Add the following:

| State Budget--General Fund | | | |
|-------------------------------------------------|-----------------------------------------|---------------------------------------------------|---------------------------------------------------|
| | Budget 2006-07^(a) | Governor's Proposed Budget 2007-08 | Governor's Proposed Budget 2008-09 |
| RECEIPTS | | | |
| Fund Balance from Prior Year..... | \$ 11,174,600 | \$ 80,147,100 | \$ 131,000,600 |
| Tax Revenue | | | |
| State Taxes Deposited to General Fund | | | |
| Individual Income..... | 6,405,000,000 | 6,765,700,000 | 7,102,000,000 |
| General Sales and Use..... | 4,358,100,000 | 4,311,400,000 | 4,484,100,000 |
| Corporate Franchise and Income..... | 785,000,000 | 887,700,000 | 852,300,000 |
| Public Utility..... | 283,400,000 | 297,200,000 | 314,400,000 |
| Excise | | | |
| Cigarette/Tobacco Products..... | 311,100,000 | 322,400,000 | 324,300,000 |
| Liquor and Wine..... | 43,500,000 | 42,500,000 | 43,000,000 |
| Malt Beverage..... | 10,000,000 | 9,400,000 | 9,400,000 |
| Inheritance, Estate & Gift..... | 130,000,000 | 95,000,000 | 25,000,000 |
| Insurance Company..... | 142,400,000 | 141,000,000 | 144,000,000 |
| Other..... | 91,500,000 | 11,000,000 ^(d) | 11,000,000 ^(d) |
| Subtotal..... | <u>12,560,000,000</u> | <u>12,883,300,000</u> | <u>13,309,500,000</u> |
| Nontax Revenue | | | |
| Departmental Revenue | | | |
| Tribal Gaming Revenues | 86,349,100 ^(c) | 47,245,600 | 51,114,600 |
| Other..... | 505,626,300 | 416,022,700 | 394,655,100 |
| Program Revenue-Federal..... | 5,991,573,300 | 6,434,556,600 | 6,671,373,100 |
| Program Revenue-Other..... | 3,716,521,700 | 4,056,339,100 | 4,204,529,600 |
| Subtotal..... | <u>10,300,070,400</u> | <u>10,954,164,000</u> | <u>11,321,672,400</u> |
| Total Available..... | <u>\$ 22,871,245,000</u> | <u>\$ 23,917,611,100</u> | <u>\$ 24,762,173,000</u> |
| DISBURSEMENTS AND RESERVES | | | |
| Commerce..... | 281,243,700 | 299,683,000 | 302,407,400 |
| Education..... | 10,387,854,300 | 11,025,395,100 | 11,261,959,800 |
| Environmental Resources..... | 337,924,200 | 339,771,400 | 337,281,900 |
| Human Relations and Resources..... | 8,970,947,600 | 9,173,442,300 | 9,606,630,700 |
| General Executive..... | 878,235,600 | 948,244,200 | 982,595,700 |
| Judicial..... | 113,448,700 | 127,186,700 | 127,277,200 |
| Legislative..... | 65,290,600 | 70,998,000 | 71,030,300 |
| General Appropriations..... | 1,890,759,800 | 1,948,296,400 | 1,987,130,000 |
| Subtotal..... | <u>22,925,704,500</u> | <u>23,933,017,100</u> | <u>24,676,313,000</u> |
| Less: (Lapses)..... | (268,551,600) | (214,191,100) | (218,774,800) |
| Compensation Reserves..... | 178,302,800 | 67,784,500 | 172,546,700 |
| Required Statutory Balance..... | 65,000,000 | 130,000,000 | 130,000,000 |
| Transfer to Medical Assistance Trust Fund | 25,383,900 | n/a | n/a |
| Total Disbursements & Reserves..... | <u>\$ 22,925,839,600</u> | <u>\$ 23,916,610,500</u> | <u>\$ 24,760,084,900</u> |
| Fund Balance..... | \$ (54,594,600) | \$ 1,000,600 | \$ 2,088,100 |
| Undesignated Balance..... | \$ 10,405,400 | \$ 131,000,600 | \$ 132,088,100 |

(a) The amounts shown incorporate all acts of the 2005 legislative session and the January 16, 2006 LFB revenue estimates. The amounts shown do not reflect 2007 Wisconsin Act 5, which included adjustments to the budget for the 2006-07 fiscal year.

(b) The actual Fund Balance was \$49 million.

(c) Assumes receipt of certain tribal gaming payments that were due in previous fiscal years.

(d) The governor's proposed budget moves the proceeds of the Real Estate Transfer Fee into a segregated fund. The amount of the Real Estate Transfer Fee collected in the 2005-06 fiscal year was \$81 million.

Sources: Legislative Fiscal Bureau and Department of Administration.

Table II-5; State Budget—All Funds (Part II–Page 32). Add the following:

| | State Budget -- All Funds ^(a) | | |
|------------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| | Budget 2006-07 ^(b) | Governor's Proposed Budget 2007-08 | Governor's Proposed Budget 2008-09 |
| RECEIPTS | | | |
| Fund Balance from Prior Year..... | \$ 11,174,600 ^(c) | \$ 80,147,100 | \$ 131,000,600 |
| Tax Revenue | | | |
| Individual Income..... | 6,405,000,000 | 6,765,700,000 | 7,102,000,000 |
| General Sales and Use..... | 4,358,100,000 | 4,311,400,000 | 4,484,100,000 |
| Corporate Franchise and Income..... | 785,000,000 | 887,700,000 | 852,300,000 |
| Public Utility..... | 283,400,000 | 297,200,000 | 314,400,000 |
| Excise | | | |
| Cigarette/Tobacco Products..... | 311,100,000 | 322,400,000 | 324,300,000 |
| Liquor and Wine..... | 43,500,000 | 42,500,000 | 43,000,000 |
| Malt Beverage..... | 10,000,000 | 9,400,000 | 9,400,000 |
| Inheritance, Estate & Gift..... | 130,000,000 | 95,000,000 | 25,000,000 |
| Insurance Company..... | 142,400,000 | 141,000,000 | 144,000,000 |
| Other..... | 91,500,000 ^(d) | 11,000,000 ^(d) | 11,000,000 ^(d) |
| Subtotal..... | 12,560,000,000 | 12,883,300,000 | 13,309,500,000 |
| Nontax Revenue | | | |
| Departmental Revenue | | | |
| Tribal Gaming Revenues | 86,349,100 ^(e) | 47,245,600 | 51,114,600 |
| Other..... | 505,626,300 | 416,022,700 | 394,655,100 |
| Total Federal Aids..... | 6,780,141,400 | 7,255,959,900 | 7,499,021,600 |
| Total Program Revenue..... | 3,716,521,700 | 4,056,339,100 | 4,204,529,600 |
| Total Segregated Funds..... | 2,675,805,100 | 3,665,184,900 | 3,803,200,200 |
| Bond Authority..... | 622,735,000 | 552,275,000 | 585,740,000 |
| Employee Benefit Contributions ^(f) | 7,718,157,000 | 8,952,664,000 | 9,173,493,000 |
| Subtotal..... | 22,105,335,600 | 24,945,691,200 | 25,711,754,100 |
| Total Available..... | \$ 34,676,510,200 | \$ 37,909,138,300 | \$ 39,152,254,700 |
| DISBURSEMENTS AND RESERVES | | | |
| Commerce..... | \$ 454,135,700 | 482,960,700 | 487,014,200 |
| Education..... | 10,451,017,700 | 11,127,021,600 | 11,370,286,900 |
| Environmental Resources..... | 3,035,595,200 | 3,261,637,200 | 3,363,945,200 |
| Human Relations and Resources..... | 9,174,582,400 | 9,993,497,700 | 10,450,406,200 |
| General Executive..... | 1,036,765,700 | 1,104,659,000 | 1,135,654,500 |
| Judicial..... | 114,177,100 | 137,045,500 | 138,045,500 |
| Legislative..... | 65,290,600 | 70,998,000 | 71,030,300 |
| General Appropriations..... | 2,058,513,300 | 2,241,785,600 | 2,290,778,900 |
| General Obligation Bond Program..... | 622,735,000 | 552,275,000 | 585,740,000 |
| Employee Benefit Payments ^(f) | 5,324,309,000 | 5,476,343,000 | 5,977,452,000 |
| Reserve for Employee Benefit Payments ^(f) | 2,393,848,000 | 3,476,321,000 | 3,196,041,000 |
| Subtotal..... | 34,730,969,700 | 37,924,544,300 | 39,066,394,700 |
| Less: (Lapses)..... | (268,551,600) | (214,191,100) | (218,774,800) |
| Compensation Reserves..... | 178,302,800 | 67,784,500 | 172,546,700 |
| Required Statutory Balance..... | 65,000,000 | 130,000,000 | 130,000,000 |
| Transfer to Medical Assistance Trust Fund..... | 25,383,900 | n/a | n/a |
| Total Disbursements & Reserves..... | \$ 34,731,104,800 | \$ 37,908,137,700 | \$ 39,150,166,600 |
| Fund Balance..... | \$ (54,594,600) | \$ 1,000,600 | \$ 2,088,100 |
| Undesignated Balance..... | \$ 10,405,400 | \$ 131,000,600 | \$ 132,088,100 |

(a) The all-funds budget assumes that certain categories of revenues are expended in like amounts. This includes federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

(b) The amounts shown incorporate all acts of the 2005 legislative session and the January 16, 2006 LFB revenue estimates. The amounts shown do not reflect 2007 Wisconsin Act 5, which included adjustments to the budget for the 2006-07 fiscal year.

(c) The actual Fund Balance was \$49 million.

(d) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$974 million of motor fuel taxes in the 2005-06 fiscal year. The governor's proposed budget moves the proceeds of the Real Estate Transfer Fee into a segregated fund. The amount of the Real Estate Transfer Fee collected in the 2005-06 fiscal year was \$81 million.

(e) Assumes receipt of certain tribal gaming payments that were due in previous fiscal years.

(f) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 of the 2006 Annual Report.

Sources: Legislative Fiscal Bureau and Department of Administration.

State Budget; Potential Effect of Litigation (Part II; Pages 33-34). Add the following:

Sales Tax on Customized Computer Software

On January 25, 2007, a Wisconsin court of appeals reversed the circuit court decision and affirmed the decision of the State Tax Appeals Commission to grant a refund for sales tax paid on sales of certain customized computer software.

Based on estimates prepared by the State and included in the January 30, 2007 LFB memorandum, this decision could result in the State (i) losing approximately \$28 million in annual sales tax revenues, starting in the 2007-08 fiscal year, and (ii) paying approximately \$221 million in refunds for taxes collected on sales of similar customized computer software in the 2006-07 and prior fiscal years.

At the time of the January 30, 2007 LFB memorandum, the State had not decided whether to appeal this decision. As a result, the sales tax estimates included in the January 30, 2007 LFB memorandum and in this **APPENDIX A** do not incorporate the potential effect of this decision.

On May 22, 2007, the State Supreme Court accepted the State's petition to review the court of appeals' decision, and oral arguments are scheduled for November 29, 2007.

General Fund Information; General Fund Cash Flow (Part II; Pages 39-47).

The following tables provide updates and additions to various tables containing General Fund information for the 2006-07 and 2007-08 fiscal years, which are presented on either a cash basis or agency recorded basis. The projections in the following tables for the 2007-08 fiscal year reflect the governor's proposed budget for the 2007-09 biennium. The tables, unless noted, contain information through September 30, 2007; the corresponding tables in the Preliminary Official Statement, dated October 11, 2007, contained information through August 31, 2007.

The comparison of monthly General Fund information that is presented on a cash basis has many inherent problems. Unforeseen events or variations from underlying assumptions may cause a decrease or increase in receipts and disbursements from those projected for any specific month.

Operating notes were not issued for the 2005-06 and 2006-07 fiscal years, but \$600 million of operating notes were issued on July 2, 2007 for the 2007-08 fiscal year. The following tables may show negative balances on a cash basis. The Wisconsin Statutes provide certain administrative remedies, such as interfund borrowing, to deal with periods when the balance, on a cash basis, is negative. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

The State can have a negative cash balance at the end of a fiscal year. By contrast, the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to balance the budget in the succeeding fiscal year.

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 42). Replace with the following updated tables:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2006 TO JUNE 30, 2007^(a)

(In Thousands of Dollars)

| | July 2006 | August 2006 | September 2006 | October 2006 | November 2006 | December 2006 | January 2007 | February 2007 | March 2007 | April 2007 | May 2007 | June 2007 |
|-------------------------------------------|--------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|---------------|--------------|--------------|
| BALANCES^(b) | | | | | | | | | | | | |
| Beginning Balance | \$ 4,563 | \$ (195,929) | \$ 108,161 | \$ 355,567 | \$ 1,112,712 | \$ 882,489 | \$ 172,573 | \$ 1,025,510 | \$ 1,028,184 | \$ (37,253) | \$ 614,881 | \$ 1,098,523 |
| Ending Balance^(c) | (195,929) | 108,161 | 355,567 | 1,112,712 | 882,489 | 172,573 | 1,025,510 | 1,028,184 | (37,253) | 614,881 | 1,098,523 | 49,149 |
| Lowest Daily Balance^(c) | (451,652) | (488,713) | (100,789) | 355,566 | 628,474 | (547,039) | 138,110 | 594,866 | (37,254) | (397,049) | 289,082 | (497,774) |
| RECEIPTS | | | | | | | | | | | | |
| TAX RECEIPTS | | | | | | | | | | | | |
| Individual Income | \$ 565,897 | \$ 474,676 | \$ 605,681 | \$ 680,238 | \$ 502,370 | \$ 508,275 | \$ 1,035,880 | \$ 515,293 | \$ 446,568 | \$ 1,276,649 | \$ 503,010 | \$ 641,597 |
| Sales & Use | 402,145 | 401,109 | 397,579 | 396,789 | 378,295 | 345,906 | 430,155 | 334,817 | 300,179 | 357,353 | 362,545 | 398,458 |
| Corporate Income | 37,496 | 28,116 | 185,473 | 34,815 | 23,319 | 173,619 | 43,211 | 22,369 | 237,573 | 51,427 | 26,470 | 168,888 |
| Public Utility | 50 | 11 | 99 | 1,468 | 143,824 | 250 | 178 | 76 | 244 | 2,228 | 146,026 | 211 |
| Excise | 34,911 | 32,778 | 34,592 | 28,986 | 30,956 | 29,561 | 27,603 | 27,221 | 25,851 | 24,537 | 28,496 | 30,483 |
| Insurance | 316 | 938 | 30,876 | 592 | 820 | 33,568 | 4,405 | 18,619 | 21,349 | 30,011 | 2,152 | 32,774 |
| Inheritance | 7,193 | 9,971 | 8,044 | 9,665 | 10,691 | 15,756 | 12,666 | 7,390 | 11,941 | 6,716 | 13,764 | 12,037 |
| Subtotal Tax Receipts | \$ 1,048,008 | \$ 947,599 | \$ 1,262,344 | \$ 1,152,553 | \$ 1,090,275 | \$ 1,106,935 | \$ 1,554,098 | \$ 925,785 | \$ 1,043,705 | \$ 1,748,921 | \$ 1,082,463 | \$ 1,284,448 |
| NON-TAX RECEIPTS | | | | | | | | | | | | |
| Federal | \$ 502,417 | \$ 581,763 | \$ 513,024 | \$ 546,768 | \$ 477,516 | \$ 444,362 | \$ 608,224 | \$ 518,096 | \$ 467,030 | \$ 520,055 | \$ 710,788 | \$ 511,648 |
| Other & Transfers ^(d) | 370,205 | 166,183 | 513,130 | 431,228 | 288,729 | 240,339 | 408,411 | 505,994 | 358,552 | 279,736 | 216,299 | 510,993 |
| Note Proceeds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal Non-Tax Receipts | \$ 872,622 | \$ 747,946 | \$ 1,026,154 | \$ 977,996 | \$ 766,245 | \$ 684,701 | \$ 1,016,635 | \$ 1,024,090 | \$ 825,582 | \$ 799,791 | \$ 927,087 | \$ 1,022,641 |
| TOTAL RECEIPTS | \$ 1,920,630 | \$ 1,695,545 | \$ 2,288,498 | \$ 2,130,549 | \$ 1,856,520 | \$ 1,791,636 | \$ 2,570,733 | \$ 1,949,875 | \$ 1,869,287 | \$ 2,548,712 | \$ 2,009,550 | \$ 2,307,089 |
| DISBURSEMENTS | | | | | | | | | | | | |
| Local Aids | \$ 896,807 | \$ 130,871 | \$ 824,354 | \$ 131,610 | \$ 911,622 | \$ 1,297,119 | \$ 204,888 | \$ 236,990 | \$ 1,311,244 | \$ 145,745 | \$ 162,288 | \$ 2,007,042 |
| Income Maintenance | 509,527 | 436,928 | 399,100 | 442,531 | 442,391 | 437,168 | 435,225 | 503,594 | 427,964 | 436,025 | 448,909 | 349,463 |
| Payroll and Related | 295,693 | 358,565 | 411,764 | 307,885 | 336,493 | 350,578 | 384,840 | 355,111 | 508,573 | 333,782 | 328,897 | 419,855 |
| Tax Refunds | 64,862 | 80,941 | 45,628 | 52,478 | 33,584 | 115,915 | 102,004 | 481,641 | 385,436 | 357,598 | 102,631 | 152,576 |
| Debt Service | 58,612 | 2,473 | 0 | 160,015 | 0 | 0 | 0 | 0 | 0 | 320,114 | 35,757 | 0 |
| Miscellaneous ^(d) | 295,621 | 381,677 | 360,246 | 278,885 | 362,653 | 300,772 | 590,839 | 369,865 | 301,507 | 303,314 | 447,426 | 427,527 |
| Note Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISBURSEMENTS | \$ 2,121,122 | \$ 1,391,455 | \$ 2,041,092 | \$ 1,373,404 | \$ 2,086,743 | \$ 2,501,552 | \$ 1,717,796 | \$ 1,947,201 | \$ 2,934,724 | \$ 1,896,578 | \$ 1,525,908 | \$ 3,356,463 |

(a) Projections in this table had assumed that the State will receive approximately \$112 million pursuant to the amended gaming compacts with tribal governments. Included in this amount is \$82 million, which is the estimate of all payments due in the 2006-07 fiscal year, and \$30 million, which is an estimate of a payment due in the previous biennium that is expected to be made in the 2006-07 fiscal year by a tribal government. With respect to the estimated \$82 million of payments due in the 2006-07 fiscal year, the estimated amount due was subsequently revised downward to \$70 million pursuant to provisions of the compacts. The State did receive payments due in the 2006-07 fiscal year totaling \$51 million from all but one tribal government, and did not receive from the same tribal government the payment that was due in a previous biennium and its scheduled payment due in FY06. The State and this tribal government continue arbitration with respect to this tribal government's amended gaming compact. This table does not include interfund borrowings.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds were expected to range from \$160 to \$300 million during the 2006-07 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately \$30 million during the 2006-07 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount was approximately \$661 million for the 2006-07 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$397 million for the 2006-07 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Includes \$20 million that were transferred from the Petroleum Inspection Fund to the General Fund on September 1, 2006, \$88 million that were transferred from the Transportation Fund to the General Fund on October 12, 2006, and \$25 million that were transferred from the General Fund to the Medical Assistance Trust Fund on June 30, 2007.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2007 TO SEPTEMBER 30, 2007
PROJECTED GENERAL FUND CASH FLOW; OCTOBER 1, 2007 TO JUNE 30, 2008^(a)

(In Thousands of Dollars)

| | July 2007 | August 2007 | September 2007 | October 2007 | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 | April 2008 | May 2008 | June 2008 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| BALANCES^(b) | | | | | | | | | | | | |
| Beginning Balance | \$ 49,148 | \$ 349,749 | \$ 638,780 | \$ 723,620 | \$ 1,587,456 | \$ 1,253,631 | \$ 645,493 | \$ 1,467,951 | \$ 1,273,373 | \$ (3,813) | \$ 585,526 | \$ 818,004 |
| Ending Balance ^(c) | 349,749 | 638,780 | 723,620 | 1,587,456 | 1,253,631 | 645,493 | 1,467,951 | 1,273,373 | (3,813) | 585,526 | 818,004 | 1,448 |
| Lowest Daily Balance ^(c) | 39,257 | (441) | 159,554 | 558,675 | 972,391 | (146,239) | 634,726 | 996,984 | (3,813) | (225,698) | 435,032 | (461,367) |
| RECEIPTS | | | | | | | | | | | | |
| TAX RECEIPTS | | | | | | | | | | | | |
| Individual Income | \$ 682,211 | \$ 500,798 | \$ 651,858 | \$ 710,849 | \$ 524,977 | \$ 531,147 | \$ 1,082,495 | \$ 538,481 | \$ 566,664 | \$ 1,229,733 | \$ 530,808 | \$ 758,708 |
| Sales & Use | 414,387 | 413,404 | 401,674 | 396,100 | 388,000 | 354,300 | 426,700 | 326,900 | 312,600 | 358,400 | 366,000 | 388,700 |
| Corporate Income | 35,238 | 20,042 | 154,364 | 37,900 | 28,800 | 195,100 | 29,700 | 22,000 | 242,300 | 36,300 | 23,400 | 173,300 |
| Public Utility | 20 | 20 | 509 | 1,542 | 151,061 | 263 | 187 | 80 | 256 | 2,340 | 140,286 | 1,017 |
| Excise | 30,620 | 34,376 | 36,523 | 30,655 | 32,738 | 31,263 | 29,192 | 28,788 | 27,339 | 25,949 | 34,115 | 33,792 |
| Insurance | 584 | 1,777 | 33,083 | 500 | 1,493 | 37,829 | 2,091 | 18,616 | 27,774 | 28,571 | 1,692 | 29,168 |
| Inheritance | 12,784 | 17,121 | 14,108 | 8,007 | 8,857 | 13,053 | 10,493 | 6,122 | 9,893 | 5,564 | 6,396 | 5,731 |
| Subtotal Tax Receipts | \$ 1,175,844 | \$ 987,538 | \$ 1,292,119 | \$ 1,185,553 | \$ 1,135,926 | \$ 1,162,955 | \$ 1,580,858 | \$ 940,987 | \$ 1,186,826 | \$ 1,686,857 | \$ 1,102,697 | \$ 1,390,416 |
| NON-TAX RECEIPTS | | | | | | | | | | | | |
| Federal | \$ 579,248 | \$ 553,559 | \$ 479,277 | \$ 574,106 | \$ 501,392 | \$ 466,580 | \$ 638,635 | \$ 544,001 | \$ 490,382 | \$ 546,058 | \$ 565,488 | \$ 565,356 |
| Other & Transfers | 397,510 | 231,439 | 414,249 | 450,202 | 301,433 | 250,914 | 426,381 | 528,258 | 374,328 | 279,980 | 477,212 | 421,138 |
| Note Proceeds ^(d) | 594,000 | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal Non-Tax Receipts | \$ 1,570,758 | \$ 784,998 | \$ 893,526 | \$ 1,024,308 | \$ 802,825 | \$ 717,494 | \$ 1,065,016 | \$ 1,072,259 | \$ 864,710 | \$ 826,038 | \$ 1,042,700 | \$ 986,494 |
| TOTAL RECEIPTS | \$ 2,746,602 | \$ 1,772,536 | \$ 2,185,645 | \$ 2,209,861 | \$ 1,938,751 | \$ 1,880,449 | \$ 2,645,874 | \$ 2,013,246 | \$ 2,051,536 | \$ 2,512,895 | \$ 2,145,397 | \$ 2,376,910 |
| DISBURSEMENTS | | | | | | | | | | | | |
| Local Aids | \$ 1,088,886 | \$ 170,143 | \$ 841,399 | \$ 144,863 | \$ 944,062 | \$ 1,330,381 | \$ 251,155 | \$ 276,499 | \$ 1,343,397 | \$ 138,797 | \$ 161,255 | \$ 1,988,158 |
| Income Maintenance | 554,657 | 462,141 | 430,767 | 474,039 | 421,833 | 409,441 | 426,194 | 421,817 | 407,681 | 443,510 | 422,628 | 312,437 |
| Payroll and Related | 293,794 | 439,220 | 257,475 | 426,864 | 456,384 | 283,297 | 467,311 | 489,317 | 286,550 | 435,077 | 460,002 | 279,832 |
| Tax Refunds | 114,634 | 89,140 | 53,251 | 47,600 | 66,900 | 158,681 | 76,100 | 485,300 | 500,300 | 440,700 | 184,500 | 138,500 |
| Debt Service | 95,411 | 5,720 | 170,526 | - | 13,491 | - | - | 1,537 | 327,165 | - | 90,637 | - |
| Miscellaneous | 294,406 | 317,141 | 347,387 | 252,659 | 369,906 | 306,787 | 602,656 | 381,117 | 307,179 | 309,022 | 437,447 | 474,539 |
| Note Repayment ^(d) | 4,213 | - | - | - | - | - | - | 152,237 | 156,450 | 156,450 | 156,450 | - |
| TOTAL DISBURSEMENTS | \$ 2,446,001 | \$ 1,483,505 | \$ 2,100,805 | \$ 1,346,025 | \$ 2,272,576 | \$ 2,488,587 | \$ 1,823,416 | \$ 2,207,824 | \$ 3,328,722 | \$ 1,923,556 | \$ 1,912,919 | \$ 3,193,466 |

(a) Projections in this table reflect the governor's proposed budget for the 2007-08 fiscal year and the projected General Fund revenues released by LFB on January 30, 2007. This table does not include interfund borrowings. Comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from \$191 to \$324 million during the 2007-08 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately \$22 million during the 2007-08 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the governor's proposed budget, this amount is approximately \$672 million for the 2007-08 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$403 million for the 2007-08 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Includes \$600 million of operating note proceeds that were issued on July 2, 2007 and impoundment payments to be made on February 29, 2008, March 31, 2008, April 30, 2008, and May 30, 2008. The February 29, 2008 impoundment payment reflects the premium that was received on July 2, 2007 and deposited into the Operating Note Redemption Fund.

Table II-8; General Fund Cash Receipts and Disbursements Year to Date; Compared to Estimates and Previous Fiscal Year. (Part II–Page 43). Replace with the following updated tables.

2006-07 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR^(a)
(Cash Basis)
As of June 30, 2007
(Amounts in Thousands)

| | FY06 through June 2006 | FY07 through June 2007 | | | | Difference FY06 Actual to FY07 Actual |
|-----------------------------------|------------------------|------------------------|-------------------------|---------------------|----------------------------------|---------------------------------------|
| | Actual | Actual | Estimate ^(b) | Variance | Adjusted Variance ^(c) | |
| RECEIPTS | | | | | | |
| Tax Receipts | | | | | | |
| Individual Income | \$ 7,313,614 | \$ 7,756,134 | \$ 7,753,167 | \$ 2,967 | \$ 2,967 | \$ 442,520 |
| Sales | 4,386,212 | 4,505,330 | 4,475,800 | 29,530 | 29,530 | 119,118 |
| Corporate Income | 885,074 | 1,032,775 | 937,733 | 95,042 | 95,042 | 147,701 |
| Public Utility | 285,769 | 294,665 | 285,967 | 8,698 | 8,698 | 8,896 |
| Excise | 374,806 | 355,975 | 376,233 | (20,258) | (20,258) | (18,831) |
| Insurance | 173,367 | 176,420 | 177,834 | (1,414) | (1,414) | 3,053 |
| Inheritance | 114,731 | 125,834 | 121,634 | 4,200 | 4,200 | 11,103 |
| Total Tax Receipts | \$ 13,533,573 | \$ 14,247,133 | \$ 14,128,368 | \$ 118,765 | \$ 118,765 | \$ 713,560 |
| Non-Tax Receipts | | | | | | |
| Federal | \$ 6,246,896 | \$ 6,401,691 | \$ 6,430,767 | \$ (29,076) | \$ (29,076) | \$ 154,795 |
| Other and Transfers | 4,573,319 | 4,292,802 | 4,676,032 | (383,230) | (383,230) | (280,517) |
| Note Proceeds ^(d) | - | - | - | - | - | - |
| Total Non-Tax Receipts | \$ 10,820,215 | \$ 10,694,493 | \$ 11,106,799 | \$ (412,306) | \$ (412,306) | \$ (125,722) |
| TOTAL RECEIPTS | \$ 24,353,788 | \$ 24,941,626 | \$ 25,235,167 | \$ (293,541) | \$ (293,541) | \$ 587,838 |
| DISBURSEMENTS | | | | | | |
| Local Aids | \$ 8,200,195 | \$ 8,260,578 | \$ 8,374,488 | \$ 113,910 | \$ 113,910 | \$ 60,383 |
| Income Maintenance | 4,871,352 | 5,268,823 | 5,197,748 | (71,075) | (71,075) | 397,471 |
| Payroll & Related | 4,156,580 | 4,392,036 | 4,356,905 | (35,131) | (35,131) | 235,456 |
| Tax Refunds | 1,980,713 | 2,012,120 | 2,159,662 | 147,542 | 147,542 | 31,407 |
| Debt Service | 484,122 | 576,971 | 579,273 | 2,302 | 2,302 | 92,849 |
| Miscellaneous | 4,462,580 | 4,383,508 | 4,587,124 | 203,616 | 203,616 | (79,072) |
| Note Repayment ^(d) | - | - | - | - | - | - |
| TOTAL DISBURSEMENTS | \$ 24,155,542 | \$ 24,894,036 | \$ 25,255,200 | \$ 361,164 | \$ 361,164 | \$ 738,494 |
| VARIANCE FY07 YEAR-TO-DATE | | | | \$ 67,623 | \$ 67,623 | |

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) The estimates in this table reflected the biennial budget for the 2005-07 biennium (2005 Wisconsin Act 25), all enacted bills from the 2005 legislative session, and the General Fund revenue estimates released by DOR on November 20, 2006. The estimates in this table did not reflect the projected General Fund revenues and expenditures released by LFB on January 30, 2007 and no changes to the estimates were needed as a result of 2007 Wisconsin Act 5, which included adjustments to the budget for the 2006-07 fiscal year. The estimates in this table assumed that the State would receive approximately \$112 million in the 2006-07 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflected estimates of (i) all payments due this fiscal year (\$82 million) and (ii) a payment due in the previous biennium from a tribal government that is expected to be made in the 2006-07 fiscal year (\$30 million). With respect to the estimated \$82 million of payments due in the 2006-07 fiscal year, the estimated amount due was subsequently revised downward to \$70 million pursuant to provisions of the compacts.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed and results in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.

(d) Operating notes were not issued for the 2005-06 and 2006-07 fiscal years.

**2007-08 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR^(a)**

**(Cash Basis)
As of September 30, 2007
(Amounts in Thousands)**

| | <u>FY07 through September 2006</u> | <u>FY08 through September 2007</u> | | | | <u>Difference FY07 Actual to FY08 Actual</u> |
|-----------------------------------|------------------------------------|------------------------------------|-------------------------------|---------------------|--------------------------------------------|--------------------------------------------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Estimate^(b)</u> | <u>Variance</u> | <u>Adjusted Variance^(c)</u> | |
| RECEIPTS | | | | | | |
| Tax Receipts | | | | | | |
| Individual Income | \$ 1,646,254 | \$ 1,834,867 | \$ 1,770,335 | \$ 64,532 | \$ 64,532 | \$ 188,613 |
| Sales | 1,200,833 | 1,229,465 | 1,206,000 | 23,465 | 23,465 | 28,632 |
| Corporate Income | 251,084 | 209,644 | 217,800 | (8,156) | (8,156) | (41,440) |
| Public Utility | 160 | 549 | 169 | 380 | 380 | 389 |
| Excise | 102,281 | 101,519 | 108,169 | (6,650) | (6,650) | (762) |
| Insurance | 32,130 | 35,444 | 30,100 | 5,344 | 5,344 | 3,314 |
| Inheritance | 25,208 | 44,013 | 20,884 | 23,129 | 23,129 | 18,805 |
| Total Tax Receipts | \$ 3,257,950 | \$ 3,455,501 | \$ 3,353,457 | \$ 102,044 | \$ 102,044 | \$ 197,551 |
| Non-Tax Receipts | | | | | | |
| Federal | \$ 1,597,204 | \$ 1,612,084 | \$ 1,677,064 | \$ (64,980) | \$ (64,980) | \$ 14,880 |
| Other and Transfers | 1,052,521 | 1,043,198 | 1,095,697 | (52,499) | (52,499) | (9,323) |
| Note Proceeds ^(d) | - | 594,000 | 594,000 | - | - | 594,000 |
| Total Non-Tax Receipts | \$ 2,649,725 | \$ 3,249,282 | \$ 3,366,761 | \$ (117,479) | \$ (117,479) | \$ 599,557 |
| TOTAL RECEIPTS | \$ 5,907,675 | \$ 6,704,783 | \$ 6,720,218 | \$ (15,435) | \$ (15,435) | \$ 797,108 |
| DISBURSEMENTS | | | | | | |
| Local Aids | \$ 1,852,032 | \$ 2,100,428 | \$ 2,077,682 | \$ (22,746) | \$ (22,746) | \$ 248,396 |
| Income Maintenance | 1,345,555 | 1,447,565 | 1,403,102 | (44,463) | (44,463) | 102,010 |
| Payroll & Related | 1,066,022 | 990,489 | 1,017,380 | 26,891 | 26,891 | (75,533) |
| Tax Refunds | 191,431 | 257,025 | 150,200 | (106,825) | (106,825) | 65,594 |
| Debt Service | 61,085 | 271,657 | 291,262 | 19,605 | 19,605 | 210,572 |
| Miscellaneous | 1,037,544 | 958,934 | 990,475 | 31,541 | 31,541 | (78,610) |
| Note Repayment ^(d) | - | 4,213 | 4,213 | - | - | 4,213 |
| TOTAL DISBURSEMENTS | \$ 5,553,669 | \$ 6,030,311 | \$ 5,934,314 | \$ (95,997) | \$ (95,997) | \$ 476,642 |
| VARIANCE FY08 YEAR-TO-DATE | | | | \$ (111,432) | \$ (111,432) | |

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.
- (b) This table reflects the governor's proposed budget for the 2007-08 fiscal year and the projected General Fund revenues released by LFB on January 30, 2007.
- (c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed and results in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.
- (d) Operating notes were not issued for the 2006-07 fiscal year but were issued for the 2007-08 fiscal year.

Table II-9; General Fund Monthly Position (Part II–Page 44). Replace with the following updated table:

GENERAL FUND MONTHLY CASH POSITION^(a)
July 1, 2005 through September 30, 2007 — Actual
October 1, 2007 through June 30, 2008 — Estimated^(b)
 (Amounts in Thousands)

| | <u>Starting Date</u> | <u>Starting Balance</u> | <u>Receipts^(c)</u> | <u>Disbursements^(c)</u> |
|------|----------------------|-----------------------------|-------------------------------|------------------------------------|
| 2005 | July..... | \$ (193,683) ^(d) | \$ 1,826,490 | \$ 2,049,886 |
| | August..... | (417,079) ^(d) | 1,862,861 | 1,309,154 |
| | September..... | 136,628 ^(d) | 2,279,058 | 2,106,633 |
| | October..... | 309,053 | 1,832,855 | 1,323,363 |
| | November..... | 818,545 | 1,850,883 | 2,082,660 |
| | December..... | 586,768 ^(d) | 1,829,742 | 2,535,436 |
| 2006 | January..... | (118,926) ^(d) | 2,453,770 | 1,452,062 |
| | February..... | 882,782 | 2,082,942 | 1,820,094 |
| | March..... | 1,145,630 | 1,949,288 | 2,979,887 |
| | April..... | 115,031 ^(d) | 2,316,434 | 1,600,131 |
| | May..... | 831,334 | 2,035,524 | 1,496,923 |
| | June..... | 1,369,935 ^(d) | 2,033,941 | 3,399,313 |
| | July..... | 4,563 ^(d) | 1,920,630 | 2,121,122 |
| | August..... | (195,929) ^(d) | 1,695,545 | 1,391,455 |
| | September..... | 108,161 ^(d) | 2,288,498 | 2,041,092 |
| | October..... | 355,567 | 2,130,549 | 1,373,404 |
| | November..... | 1,112,712 | 1,856,520 | 2,086,743 |
| | December..... | 882,489 ^(d) | 1,791,636 | 2,501,552 |
| 2007 | January..... | 172,573 | 2,570,733 | 1,717,796 |
| | February..... | 1,025,510 | 1,949,875 | 1,947,201 |
| | March..... | 1,028,184 | 1,869,287 | 2,934,724 |
| | April..... | (37,253) ^(d) | 2,548,712 | 1,896,578 |
| | May..... | 614,881 | 2,009,550 | 1,525,908 |
| | June..... | 1,098,523 ^(d) | 2,307,089 | 3,356,463 |
| | July..... | 49,149 | 2,746,602 | 2,446,001 |
| | August..... | 349,750 | 1,772,536 | 1,483,505 |
| | September..... | 638,781 | 2,185,645 | 2,100,805 |
| | October..... | 723,621 | 2,209,861 | 1,346,025 |
| | November..... | 1,587,457 | 1,938,751 | 2,272,576 |
| | December..... | 1,253,632 ^(d) | 1,880,449 | 2,488,587 |
| 2008 | January..... | 645,494 | 2,645,874 | 1,823,416 |
| | February..... | 1,467,952 | 2,013,246 | 2,207,824 |
| | March..... | 1,273,374 | 2,051,536 | 3,328,722 |
| | April..... | (3,812) ^(d) | 2,512,895 | 1,923,556 |
| | May..... | 585,527 | 2,145,397 | 1,912,919 |
| | June..... | 818,005 ^(d) | 2,376,910 | 3,193,466 |

- ^(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).
- ^(b) Projections in this table for the 2007-08 fiscal year reflect the governor's proposed budget for the 2007-08 fiscal year and the projected General Fund revenues released by LFB on January 30, 2007.
- ^(c) Operating notes were not issued for the 2005-06 and 2006-07 fiscal years but were issued for the 2007-08 fiscal year.
- ^(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the governor's proposed budget, this amount is approximately \$672 million for the 2007-08 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$403 million for the 2007-08 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

Table II-10; Balances in Funds Available for Interfund Borrowing (Part II–Page 45).

Replace with the following updated table:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING^(a)
July 31, 2005 to September 30, 2007 — Actual
October 31, 2007 to June 30, 2008 — Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for interfund borrowing. The first table does not include balances in the Local Government Investment Pool (LGIP). Though the LGIP is available for interfund borrowing, funds in the LGIP are deposited and withdrawn by local units of government, and thus are outside the control of the State.

(Does Not Include Balances in the Local Government Investment Pool)

| <u>Month (Last Day)</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-------------------------|-------------|-------------|-------------|-------------|
| January | | \$ 1,118 | \$ 1,048 | \$ 1,048 |
| February | | 1,041 | 1,131 | 1,131 |
| March | | 1,188 | 1,154 | 1,188 |
| April | | 957 | 1,114 | 957 |
| May | | 912 | 1,202 | 912 |
| June | | 1,074 | 1,208 | 1,074 |
| July | \$ 1,048 | 932 | 1,141 | |
| August | 1,100 | 1,052 | 1,204 | |
| September | 1,176 | 1,067 | 1,205 | |
| October | 1,115 | 925 | 925 | |
| November | 1,167 | 966 | 967 | |
| December | 1,135 | 1,019 | 1,019 | |

The second table includes the balances in the LGIP. The monthly average daily balances in the LGIP for the past five years have ranged from a low of \$2.2 billion during November 2005 to a high of \$4.2 billion during April 2003.

(Includes Balances in the Local Government Investment Pool)

| <u>Month (Last Day)</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-------------------------|-------------|-------------|-------------|-------------|
| January | | \$ 4,232 | \$ 4,509 | \$ 4,509 |
| February | | 4,237 | 4,773 | 4,773 |
| March | | 4,476 | 4,860 | 4,476 |
| April | | 3,981 | 4,593 | 3,981 |
| May | | 3,708 | 4,408 | 3,708 |
| June | | 3,940 | 4,536 | 3,941 |
| July | \$ 4,193 | 4,218 | 4,862 | |
| August | 3,823 | 3,978 | 4,383 | |
| September | 3,746 | 3,845 | 4,264 | |
| October | 3,361 | 3,361 | 3,361 | |
| November | 3,370 | 3,477 | 3,477 | |
| December | 3,692 | 3,764 | 3,764 | |

^(a) The following funds are available for interfund borrowing. The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund listed below has a negative balance and is subject to interfund borrowing.

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

Table II-11; General Fund Recorded Revenues (Part II–Page 46). Replace with the following updated tables:

**GENERAL FUND RECORDED REVENUES
(2006-07 FISCAL YEAR FINAL)^(a)
(Agency Recorded Basis)**

July 1, 2006 to June 30, 2007 compared with previous year

| | Annual Fiscal Report Revenues <u>2005-06 FY^(b)</u> | Projected Revenues <u>2006-07 FY^(c)</u> | Recorded Revenues July 1, 2005 to June 30, 2006 ^(d) | Recorded Revenues July 1, 2006 to June 30, 2007 ^(e) |
|------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| Individual Income Tax | \$ 6,144,299,000 | \$ 6,457,900,000 | \$ 6,151,413,883 | \$ 6,573,777,561 |
| General Sales and Use Tax | 4,127,585,000 | 4,212,900,000 | 4,127,971,952 | 4,154,411,238 |
| Corporate Franchise and Income Tax | 780,320,000 | 856,600,000 | 773,205,408 | 890,179,593 |
| Public Utility Taxes | 275,147,000 | 269,400,000 | 275,146,924 | 284,939,816 |
| Excise Taxes | 368,693,000 | 369,900,000 | 368,693,206 | 365,848,384 |
| Inheritance Taxes | 108,571,000 | 93,600,000 | 108,570,770 | 121,113,660 |
| Insurance Company Taxes | 134,665,000 | 141,300,000 | 134,665,536 | 141,405,453 |
| Miscellaneous Taxes | 90,806,000 | 89,300,000 | 111,792,568 | 102,008,397 |
| SUBTOTAL..... | \$ 12,030,086,000 | \$ 12,490,900,000 | 12,051,460,246 | 12,633,684,102 |
| Federal and Other Inter- Governmental Revenues ^(f) | \$ 6,320,576,000 | \$ 5,976,875,800 | 6,320,309,672 | 6,505,384,718 |
| Dedicated and Other Revenues ^(g) | 3,971,208,000 | 4,323,194,600 | 4,344,293,322 | 4,215,077,771 |
| TOTAL..... | \$ 22,321,870,000 | \$ 22,790,970,400 | \$ 22,716,063,241 | \$ 23,354,146,591 |

- (a) This table includes 2006-07 fiscal year revenues, including those recorded by state agencies during the months of July and August, 2007. The revenues in this table are presented on an agency recorded basis and not a budgetary basis. The final 2006-07 fiscal year revenues, on a budgetary basis, will be included in the Annual Fiscal Report that the State is required to release by October 15, 2007. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for 2005-06 fiscal year, dated October 15, 2006.
- (c) Projections in this table reflected the biennial budget for the 2005-07 biennium (2005 Wisconsin Act 25), all enacted bills from the 2005 legislative session, and the general fund revenue estimates released by DOR on November 20, 2006. Projections in this table did not reflect the projected general fund revenues released by LFB on January 30, 2007 or June 4, 2007 and no changes were needed to the projected general fund cash flow as a result of 2007 Wisconsin Act 5, which included adjustments to the 2006-07 fiscal year budget. Projections assumed that the State will receive approximately \$112 million in the 2006-07 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflected estimates of (i) all payments due that fiscal year (\$82 million) and (ii) a payment due in the previous biennium from a tribal government that is expected to be made that fiscal year (\$30 million).
- (d) The amounts shown are 2005-06 fiscal year revenues as recorded by state agencies.
- (e) The amounts shown are 2006-07 fiscal year revenues as recorded by state agencies.
- (f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.
- (g) Certain transfers between general fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

GENERAL FUND RECORDED REVENUES^(a)
(Agency Recorded Basis)
July 1, 2007 to September 30, 2007 compared with previous year^(b)

| | Annual Fiscal Report Revenues <u>2006-07 FY^(c)</u> | Projected Revenues <u>2007-08 FY^(d)</u> | Recorded Revenues July 1, 2006 to <u>September 30, 2006^(e)</u> | Recorded Revenues July 1, 2007 to <u>September 30, 2007^(f)</u> |
|------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Individual Income Tax | \$ 6,573,778,000 | \$ 6,765,700,000 | \$ 1,226,093,959 | \$ 1,295,652,471 |
| General Sales and Use Tax | 4,158,612,000 | 4,311,400,000 | 742,376,097 | 792,804,043 |
| Corporate Franchise and Income Tax | 890,056,000 | 887,700,000 | 229,568,866 | 182,354,363 |
| Public Utility Taxes | 284,940,000 | 297,200,000 | - | - |
| Excise Taxes | 365,848,000 | 374,300,000 | 66,858,565 | 68,679,899 |
| Inheritance Taxes | 121,114,000 | 95,000,000 | 23,922,415 | 41,885,656 |
| Insurance Company Taxes | 141,405,000 | 141,000,000 | 842,481 | 1,835,848 |
| Miscellaneous Taxes | 82,244,000 | 11,000,000 ⁽ⁱ⁾ | 19,052,914 | 17,639,429 |
| SUBTOTAL..... | <u>12,617,997,000</u> | <u>12,883,300,000</u> | <u>2,308,715,296</u> | <u>2,400,851,708</u> |
| Federal and Other Inter- Governmental Revenues ^(g) | 6,505,269,000 | 6,434,556,600 | 1,611,848,038 | 1,489,346,283 |
| Dedicated and Other Revenues ^(h) | <u>4,000,158,000</u> | <u>4,599,754,500</u> | <u>1,114,970,580</u> | <u>1,094,687,880</u> |
| TOTAL..... | <u>\$ 23,123,424,000</u> | <u>\$ 23,917,611,100</u> | <u>\$ 5,035,533,914</u> | <u>\$ 4,984,885,871</u> |

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) This table does not include the additional revenues for the 2006-07 fiscal year that were recorded by State agencies during the months of July and August, 2007.
- (c) The amounts are from the Annual Fiscal Report (unaudited and budgetary basis) for the 2006-07 fiscal year, dated October 15, 2007.
- (d) Projections reflect the governor's proposed budget for the 2007-08 fiscal year and the projected General Fund revenues released by LFB on January 30, 2007.
- (e) The amounts shown are 2006-07 fiscal year revenues as recorded by state agencies.
- (f) The amounts shown are 2007-08 fiscal year revenues as recorded by state agencies.
- (g) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.
- (h) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.
- (i) The governor's proposed budget for the 2007-08 fiscal year moves the proceeds of the Real Estate Transfer Fee into a new segregated fund. The amount of the Real Estate Transfer Fee collected in the 2006-07 fiscal year was \$72 million.

Source: Wisconsin Department of Administration.

Table II-12; General Fund Recorded Expenditures By Function (Part II–Page 47). Replace with the following updated tables:

**GENERAL FUND RECORDED EXPENDITURES BY FUNCTION
(2006-07 FISCAL YEAR FINAL)^(a)
(Agency Recorded Basis)
July 1, 2006 to June 30, 2007 compared with previous year**

| | Annual Fiscal Report Expenditures 2005–06 FY ^(b) | Appropriations 2006–07 FY ^(c) | Recorded Expenditures July 1, 2005 to June 30, 2006 ^(d) | Recorded Expenditures July 1, 2006 to June 30, 2007 ^(e) |
|-----------------------------------|-------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Commerce..... | \$ 266,877,000 | \$ 281,243,700 | \$ 262,182,620 | \$ 267,798,374 |
| Education..... | 10,146,322,000 | 10,387,854,300 | 10,148,028,097 | 10,542,842,611 |
| Environmental Resources..... | 291,548,000 | 337,924,200 | 293,413,771 | 326,425,344 |
| Human Relations & Resources | 8,712,564,000 | 8,970,947,600 | 8,718,438,864 | 9,314,681,943 |
| General Executive..... | 694,145,000 | 878,235,600 | 688,288,306 | 747,644,373 |
| Judicial..... | 115,262,000 | 113,448,700 | 115,263,496 | 121,331,937 |
| Legislative..... | 61,343,000 | 65,290,600 | 61,342,707 | 63,371,991 |
| General Appropriations..... | <u>1,859,988,000</u> | <u>1,890,759,800</u> | <u>1,859,988,096</u> | <u>1,807,626,637</u> |
| TOTAL..... | <u>\$ 22,148,049,000</u> | <u>\$ 22,925,704,500</u> | <u>\$ 22,146,945,958</u> | <u>\$ 23,191,723,209</u> |

- (a) This table includes 2006-07 fiscal year expenditures, including those recorded by state agencies during the months of July and August, 2007. The expenditures in this table are presented on an agency recorded basis and not a budgetary basis. The final 2006-07 fiscal year expenditures, on a budgetary basis, will be included in the Annual Fiscal Report that the State is required to release by October 15, 2007. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2005-06 fiscal year, dated October 15, 2006.
- (c) Estimated appropriations are based on the biennial budget for the 2005-07 biennium (2005 Wisconsin Act 25) and all enacted bills from the 2005 legislative session but do not include the projected General Fund expenditures released by LFB on January 30, 2007 and do not reflect 2007 Wisconsin Act 5, which included adjustments to the 2006-07 fiscal year budget.
- (d) The amounts shown are 2005-06 fiscal year expenditures as recorded by state agencies.
- (e) The amounts shown are 2006-07 fiscal year expenditures as recorded by state agencies.

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION^(a)
(Agency Recorded Basis)
July 1, 2007 to September 30, 2007 compared with previous year^(b)

| | Annual Fiscal Report Expenditures <u>2006-07 FY^(c)</u> | Estimated Appropriations <u>2007-08 FY^(d)</u> | Expenditures July 1, 2006 to <u>September 30, 2006^(e)</u> | Expenditures July 1, 2007 to <u>September 30, 2007^(f)</u> |
|-----------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Commerce..... | \$ 281,047,000 | \$ 299,683,000 | \$ 69,428,966 | \$ 54,866,176 |
| Education..... | 10,542,076,000 | 11,025,395,100 | 2,089,477,398 | 2,141,031,029 |
| Environmental Resources..... | 328,094,000 | 339,771,400 | 46,268,876 | 172,339,314 |
| Human Relations & Resources | 9,341,228,000 | 9,173,442,300 | 2,323,381,065 | 2,388,948,333 |
| General Executive..... | 720,467,000 | 948,224,200 | 225,006,975 | 271,229,469 |
| Judicial..... | 121,332,000 | 127,186,700 | 37,354,625 | 24,727,865 |
| Legislative..... | 63,372,000 | 70,998,000 | 12,019,779 | 12,595,543 |
| General Appropriations..... | <u>1,807,627,000</u> | <u>1,948,296,400</u> | <u>673,471,440</u> | <u>865,304,707</u> |
| TOTAL..... | <u>\$ 23,205,243,000</u> | <u>\$ 23,932,997,100</u> | <u>\$ 5,476,409,125</u> | <u>\$ 5,931,042,436</u> |

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) This table does not include the additional expenditures for the 2006-07 fiscal year that were recorded by State agencies during the months of July and August, 2007.
- (c) The amounts are from the Annual Fiscal Report (unaudited and budgetary basis) for the 2006-07 fiscal year, dated October 15, 2007.
- (d) Estimates and projections reflect the governor's proposed budget for the 2007-08 fiscal year.
- (e) The amounts shown are 2006-07 fiscal year expenditures as recorded by state agencies.
- (f) The amounts shown are 2007-08 fiscal year expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

Appendix B

EXPECTED FORM OF BOND COUNSEL OPINION

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

(Letterhead of Foley & Lardner LLP)

\$16,735,000

STATE OF WISCONSIN

GENERAL OBLIGATION REFUNDING BONDS OF 2007, SERIES 2

\$3,835,000

STATE OF WISCONSIN

GENERAL OBLIGATION REFUNDING BONDS OF 2007, SERIES 3

(Subject to Alternative Minimum Tax)

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$16,735,000 General Obligation Refunding Bonds of 2007, Series 2, dated the date hereof (**Series 2 Bonds**) and its \$3,835,000 General Obligation Refunding Bonds of 2007, Series 3 (Subject to Alternative Minimum Tax), dated the date hereof (**Series 3 Bonds**) (the Series 2 Bonds and the Series 3 Bonds are collectively called the **Bonds**). The Bonds are being issued pursuant to Chapters 18, 20, and 45, Wisconsin Statutes (**Act**) and a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on September 19, 2007 (**Resolution**).

We examined the law, a certified copy of the proceedings relating to the issuance of the Bonds, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without independently undertaking to verify them.

Based upon this examination, it is our opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the State.
2. The Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Resolution.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes. It should be noted, however, that interest on the Series 2 Bonds is not an item of tax preference, but interest on the Series 3 Bonds is an item of tax preference, for purposes of the federal alternative minimum tax imposed on all taxpayers. For purposes of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors'

rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

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

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law.

Very truly yours,

FOLEY & LARDNER LLP

Appendix C

STATE OF WISCONSIN REFUNDED BONDS

| Series | Dated Date | Principal Amount | Interest Rate | Maturity | CUSIP | Serial Bond or Sinking Fund Payment on Term Bond | Redemption or Payment Date | Redemption Price |
|---------------|------------|------------------|---------------|-----------|------------|--------------------------------------------------|----------------------------|------------------|
| 1993 Series 5 | 12/1/1993 | \$ 1,730,000 | 5.20% | 11/1/2010 | 977055 X72 | Sinking Fund Payment | 11/1/2007 | 100% |
| | | 200,000 | 5.30 | 11/1/2013 | 977055 Z39 | Sinking Fund Payment | 12/1/2007 | 100 |
| 1993 Series 6 | 10/15/1993 | 240,000 | 5.15 | 5/1/2010 | 977055 X64 | Sinking Fund Payment | 11/1/2007 | 100 |
| 1994 Series 2 | 3/1/1994 | 1,395,000 | 6.10 | 5/1/2014 | 977055 4D1 | Sinking Fund Payment | 12/1/2007 | 100 |
| | | 3,850,000 | 6.20 | 5/1/2024 | 977055 4E9 | Sinking Fund Payment | 12/1/2007 | 100 |
| 1994 Series C | 9/15/1994 | 300,000 | 6.40 | 5/1/2011 | 977055 6R8 | Serial Bond | 12/1/2007 | 100 |
| | | 315,000 | 6.40 | 5/1/2012 | 977055 6S6 | Serial Bond | 12/1/2007 | 100 |
| | | 1,900,000 | 6.60 | 5/1/2020 | 977055 6V9 | Serial Bond | 12/1/2007 | 100 |
| | | 900,000 | 6.65 | 5/1/2025 | 977055 6W7 | Serial Bond | 12/1/2007 | 100 |
| 1995 Series 1 | 2/15/1995 | 895,000 | 6.00 | 5/1/2013 | 977056 BE9 | Serial Bond | 12/1/2007 | 100 |
| 1995 Series 2 | 10/15/1995 | 2,695,000 | 5.75 | 11/1/2014 | 977056 DE7 | Serial Bond | 12/1/2007 | 100 |
| | | 3,300,000 | 5.75 | 11/1/2015 | 977056 DF4 | Serial Bond | 12/1/2007 | 100 |
| 2003 Series 3 | 10/30/2003 | 2,430,000 | 2.25 | 11/1/2007 | 977056 6F2 | Serial Bond | N/a | N/a |
| | | \$ 20,150,000 | | | | | | |

Appendix D

Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee