OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the 2008 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

$798,120,000

STATE OF WISCONSIN

GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2008,

SERIES A (TAXABLE FIXED RATE) AND SERIES B (TAXABLE FLOATING RATE NOTES)

Dated: Date of Delivery **Due: As shown on the inside cover**

Ratings	Insured Bonds*	Underlying	
	AAA	A+	Fitch Ratings
	Aaa	A1	Moody's Investors Service, Inc.
	AAA	A+	Standard & Poor's Ratings Services

Interest Payment Dates *Series A Bonds*— May 1 and November 1, commencing November 1, 2008.
Series B Bonds— The first Business Day of each month, commencing May 2008.

Redemption *Series A Bonds*—The Series A Bonds are subject to optional redemption with a make-whole premium on any date.—*See pages 5-7.*
Series B Bonds—The Series B Bonds are subject to optional redemption on the first Business Day in May 2013 or on any Business Day thereafter. The Series B Bonds are subject to mandatory sinking fund redemption at par.—*See pages 8-9.*

Source of Payment Debt service on the 2008 Bonds is payable from the State's General Fund, subject to annual appropriation.—*See pages 12-18.*

Insurance The scheduled payment of principal of and interest on the Insured Bonds* when due will be guaranteed under an insurance policy to be issued concurrently by Financial Security Assurance Inc. with the delivery of the Insured Bonds*—*See pages 18-20.*

Tax Matters Interest on the 2008 Bonds is subject to federal income tax and State of Wisconsin income and franchise tax.

Purpose The 2008 Bonds are being issued to refund a portion of the State's General Fund Annual Appropriation Bonds of 2003, which were issued to pay the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits.—*See pages 2-5.*

Initial Denominations *Series A Bonds*— Multiples of $5,000
Series B Bonds— Minimum of $100,000 and multiples of $1,000 in excess thereof.

Closing On or about April 1, 2008.

Global Book-Entry System Clearance is expected to be available through The Depository Trust Company (the depository for the 2008 Bonds) for the accounts of its participants, including Clearstream and Euroclear.—*See pages 10-11.*

Global Offering The 2008 Bonds are offered globally for sale in jurisdictions where it is lawful to make such offers.—*See page 23.*

Bond Counsel Foley & Lardner LLP—*See page 23.*

Trustee Deutsche Bank Trust Company Americas

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

2007 Annual Report This Official Statement incorporates by reference Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007.– *See Appendix B.*

Citi

Lead Book-Running Manager

Bear, Stearns & Co. Inc. **DEPFA First Albany Securities LLC**

Morgan Stanley & Co. Incorporated **Siebert Brandford Shank & Co., LLC**

Co-Senior Managers

Banc of America Securities LLC **M♦R♦ Beal & Company** **Goldman, Sachs & Co.**

JPMorgan **Merrill Lynch & Co.** **UBS Investment Bank**

Co-Managers

March 19, 2008

[*] "Insured Bonds" as defined herein includes all 2008 Bonds except the Series A Bonds maturing on May 1, 2018 and bearing interest at the rate of 5.238% per annum.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND PRICES

$798,120,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2008,
SERIES A (TAXABLE FIXED RATE) AND
SERIES B (TAXABLE FLOATING RATE NOTES)

The interest rates and prices of the Series A Bonds and Series B Bonds were determined on March 19, 2008 at a negotiated sale. The Underwriters have agreed to purchase the Series A Bonds at an aggregate purchase price of $495,875,841.90 and the Series B Bonds at an aggregate purchase price of $298,705,423.20.

$498,120,000 Series A Bonds

CUSIP	ISIN	Euroclear and Clearstream Common Code	Maturity (May 1)	Principal Amount	Interest Rate	Price
977100 AN6	US977100 AN68	35539662	2009	$ 5,195,000	2.936%	100.00%
977100 AP1	US977100 AP17	35539689	2010	11,505,000	3.086	100.00
977100 AQ9	US977100 AQ99	35539697	2011	16,595,000	3.479	100.00
977100 AR7	US977100 AR72	35539719	2012	22,255,000	3.799	100.00
977100 AS5	US977100 AS55	35539727	2013	30,440,000	4.140	100.00
977100 AT3	US977100 AT39	35539735	2014	49,130,000	4.319	100.00
977100 AU0	US977100 AU02	35539743	2018	150,000,000	5.050	100.00
977100 AV8	US977100 AV84	35539751	2018	213,000,000	5.238	100.00

$300,000,000 Series B Bonds

CUSIP	ISIN	Euroclear and Clearstream Common Code	Maturity (First Business Day in May)*	Principal Amount	Interest Rate Margin (Over One-Month LIBOR)	Price
977100 AW6	US977100 AW67	35539760	2032	$300,000,000	1.20%	100.00%

*The Series B Bonds are term bonds. For a schedule of the mandatory sinking fund redemption payments, see "THE SERIES B BONDS; Redemption; *Mandatory Sinking Fund Redemption*".

This document is the State's official statement about the offering of the 2008 Bonds; that is, it is the only document the State has authorized for providing information about the 2008 Bonds. This document is not an offer or solicitation for the 2008 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 2008 Bonds, and anything else related to this 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 the securities laws of the United States of America, 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 2008 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the 2008 Bonds implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

Other than with respect to information concerning Financial Security Assurance Inc. **(Financial Security)** contained in the sections "BOND INSURANCE; Bond Insurance Policy" and "BOND INSURANCE; Financial Security Assurance Inc." and in APPENDIX E "Specimen Municipal Bond Insurance Policy", none of the information in this Official Statement has been supplied or verified by Financial Security, and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, or (ii) the validity of the 2008 Bonds.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2008 BONDS

GOVERNOR

Governor Jim Doyle
Term of office expires on January 2, 2011

SECRETARY OF ADMINISTRATION

Mr. Michael L. Morgan
Serves at the pleasure of the Governor

STATE ATTORNEY GENERAL

Mr. J.B. Van Hollen
Term of office expires on January 2, 2011

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
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Madison, WI 53707-7864
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OFFICIAL STATEMENT

$798,120,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2008, SERIES A (TAXABLE FIXED RATE) AND SERIES B (TAXABLE FLOATING RATE NOTES)

INTRODUCTION

This Official Statement sets forth information concerning the $798,120,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) (**Series A Bonds**) and Series B (Taxable Floating Rate Notes) (**Series B Bonds**) (collectively, **2008 Bonds**) issued by the State of Wisconsin (**State**). This Official Statement includes by reference Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 (**2007 Annual Report**). See APPENDIX B.

The 2008 Bonds are being issued to refund a portion of the State's General Fund Annual Appropriation Bonds of 2003 (**2003 Bonds**), which were issued to provide funds for payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits. The 2008 Bonds are issued pursuant to Section 16.527 of the Wisconsin Statutes, as amended (**Enabling Act**), and authorizing certifications signed by the Secretary of Administration. The 2008 Bonds are issued under a Trust Indenture, dated as of December 1, 2003, between the State, acting by and through its Department of Administration (**Department**), and Deutsche Bank Trust Company Americas, New York, New York, as trustee (**Trustee**), as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, and a Second Supplemental Trust Indenture, dated as of April 1, 2008, both between the State, acting by and through the Department, and the Trustee (as supplemented and amended, **Indenture.**) The Enabling Act and the Indenture establish a framework for the issuance and sale of evidences of appropriation obligations, including the 2003 Bonds, the 2008 Bonds, and any additional bonds delivered under the Indenture (**Additional Bonds**) (collectively, the 2003 Bonds, the 2008 Bonds, and any Additional Bonds are referred to herein as **Bonds**). Selected terms and provisions of the Indenture are summarized in APPENDIX A.

Pursuant to the authorizing certifications of the Secretary of Administration, the Department is empowered by law to authorize, issue, and sell the 2008 Bonds on the State's behalf. This Official Statement contains information furnished by the State or obtained from the sources indicated.

THE STATE

The State is a sovereign state of the United States of America and a frequent issuer of debt securities. The State's power and functions derive from the Wisconsin Constitution, which vests the legislative power in a senate and an assembly (**Legislature**). The State's power is limited by the Wisconsin Constitution and also by federal law and jurisdiction.

The State is located in the Midwest among the northernmost tier of the states of the United 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.

The State provides many essential services to its citizens, including, among others, education, health and human services, transportation, environmental protection, and public safety programs. The budget adopted by the Legislature for the current biennium, which began on July 1, 2007 and extends through

June 30, 2009, anticipates total revenues in the State's general fund (**General Fund**) of over $23.887 billion for the first fiscal year and $24.703 billion for the second fiscal year.

Information concerning the State and its financial condition is included as APPENDIX B, which includes by reference Part II of the 2007 Annual Report. APPENDIX B also includes a copy of a memorandum dated February 13, 2008 from the State's Legislative Fiscal Bureau (**LFB**) that presents revised projections of General Fund tax collections for the 2007-09 biennium, which include unfavorable changes from prior projections. The memorandum also presents revised projections of the General Fund condition statement, which include a gross ending balance for the 2007-09 biennium of negative $351 million. APPENDIX B also includes other updated information and changes or additions to Part II of the 2007 Annual Report.

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

Contact:	Department of Administration Capital Finance Office
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, 10th Floor P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov/capitalfinance

PLAN OF FINANCE

The 2003 Bonds

The 2003 Bonds were issued in two Series: 2003 Series A (Taxable Fixed Rate) (**2003 Series A Bonds**) and 2003 Series B (Taxable Auction Rate Certificates) (**2003 Series B Bonds**). The 2003 Series B Bonds are currently outstanding in an aggregate principal amount of $944,850,000. The State is issuing the 2008 Bonds to refund seven of the nine subseries of the 2003 Series B Bonds. The 2003 Series A Bonds, which are currently outstanding in an aggregate principal amount of $850,000,000, along with the remaining two subseries of the 2003 Series B Bonds, which are currently outstanding in an aggregate amount of $200,000,000, are not being refunded and will remain outstanding after the issuance of the 2008 Bonds.

Refunding of the Refunded Bonds

The 2003 Series B Bonds were issued in nine subseries maturing on May 1, 2032 in the respective principal amounts and having assigned the respective CUSIP numbers identified in the table below. The State is issuing the 2008 Bonds to refund Subseries B-1 through B-5, B-7, and B-8 (**Refunded Bonds**).

Subseries	Principal Amount	CUSIP
B-1*	$118,750,000	977100 AD8
B-2*	100,000,000	977100 AE6
B-3*	118,700,000	977100 AF3
B-4*	100,000,000	977100 AG1
B-5*	118,700,000	977100 AH9
B-6	100,000,000	977100 AJ5
B-7*	118,700,000	977100 AK2
B-8*	70,000,000	977100 AL0
B-9	100,000,000	977100 AM8

* Refunded Bonds

The State expects to issue Additional Bonds during this calendar year to refund the remaining two subseries of the 2003 Series B Bonds.

The State has initiated a process to convert the interest rates on the Refunded Bonds. Under the terms of the Indenture, all of the Refunded Bonds are expected to be subject to mandatory tender for purchase at par and conversion on the date of issuance of the 2008 Bonds (**Closing Date**). The underwriters listed on the cover page of this Official Statement (**Underwriters**) have agreed to purchase the Refunded Bonds from the current owners, at a price of par, upon their mandatory tender and conversion on the Closing Date.

On the Closing Date, the Underwriters will purchase the 2008 Bonds by: (i) exchanging the Refunded Bonds purchased pursuant to the mandatory tender on that date, and (ii) paying the remaining purchase price for the 2008 Bonds in immediately available funds. See "OTHER INFORMATION; Underwriting." The Refunded Bonds exchanged by the Underwriters for 2008 Bonds will be cancelled by the State on the Closing Date. The remaining purchase price paid in cash will be applied to pay costs of issuance of the 2008 Bonds, to make a deposit in the Debt Service Fund to pay interest on the Bonds, and to make termination payments due under interest rate exchange agreements as described below under "PLAN OF FINANCE; Swap Agreements".

Statutory Authority for Issuance

The Enabling Act contains a legislative finding that the State, by prepaying part or all of its unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. The Department is authorized by the Enabling Act to issue bonds to provide up to $1,500,000,000 of net proceeds to make payments to the Retirement System for the State's unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits. The State has issued bonds providing $1,487,574,253 of net proceeds for those purposes. The Department is also authorized to issue bonds (such as the 2008 Bonds) without limit to fund or refund outstanding bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements (including Swap Agreements as defined below). The Department is also authorized, in connection with a refunding, to exchange refunding bonds in payment for outstanding bonds and to discharge the outstanding bonds acquired through the exchange.

Swap Agreements

In connection with the issuance of the 2003 Series B Bonds, the State entered into interest rate exchange agreements (**2003 Swap Agreements**) with Citibank, N.A., New York, Bear Stearns Financial Products Inc., UBS AG, and JPMorgan Chase Bank, N.A., to provide a hedge against a portion of the State's exposure to interest rate fluctuation risks with respect to the 2003 Series B Bonds. In 2005 the State entered into additional interest rate exchange agreements (**2005 Swap Agreements**) with Morgan Stanley Bank, Bear Stearns Financial Products Inc., and JPMorgan Chase Bank, N.A., to hedge the remaining portion of its variable rate exposure with respect to the 2003 Series B Bonds. The State has hedged all of its variable rate exposure with respect to the Series B Bonds and the unrefunded 2003 Series B Bonds by retaining a portion of both the 2003 Swap Agreements and the 2005 Swap Agreements.

The 2003 Swap Agreements being retained provide for the State to pay a fixed rate of 5.47% per annum, the 2005 Swap Agreements being retained provide for the State to pay a fixed rate of 4.661% per annum, and all the 2003 Swap Agreements and 2005 Swap Agreements provide for the State to receive a variable rate equal to a one-month LIBOR index, based on notional principal amounts that decline over time in amounts that approximate the expected amortization of the Series B Bonds and the 2003 Series B Bonds.

Because the State's variable rate exposure is being reduced through the refunding of the Refunded Bonds, the State will terminate a portion of the 2003 Swap Agreements and substantially all of the 2005 Swap Agreements. Termination payments due from the State will be paid from proceeds of the 2008 Bonds. In addition, the State expects to terminate those portions of the interest rate agreements that relate to the two subseries of the 2003 Series B Bonds that will remain outstanding after the issuance of the 2008 Bonds, if and when it refunds those 2003 Series B Bonds. If it does terminate any remaining portions of the 2003 Swap Agreements or 2005 Swap Agreements, then any termination payment due to the State would be deposited in the Appropriations Fund, and any termination payment due from the State would be paid from proceeds of Additional Bonds or as described below.

The Maximum Rate applicable to the Series B Bonds is 35% per annum. The State expects to obtain an interest rate cap under an interest rate exchange agreement, in a notional amount equal to the principal amount of the Series B Bonds, which will provide for payments to the State if the interest rate on the Series B Bonds exceeds 15% per annum **(2008 Swap Agreement)**.

The State may from time to time enter into (and thereafter may terminate) additional interest rate exchange agreements, indexing agreements, or similar agreements relating to any Bonds (**Swap Agreements**, which term includes the 2003 Swap Agreements, 2005 Swap Agreements, and 2008 Swap Agreement) or may terminate any remaining amounts of the 2003 Swap Agreements and 2005 Swap Agreements. The State's obligation to make payments under the Swap Agreements will be payable from money held in separate accounts established in the Debt Service Fund under the Indenture for that purpose. Payments under a Swap Agreement may include net payments based on the interest rates exchanged. Should a Swap Agreement be terminated, under certain circumstances the State may be required to pay a termination payment. The Enabling Act provides authority for the State to issue bonds to make this payment. Money held in the Debt Service Fund may be applied to a termination payment under a Swap Agreement only if the termination payment was due on September 1 of the year before the first fiscal year in a biennium and a budget bill has been enacted for the biennium. Correspondingly, the budget request for the first fiscal year in any biennium is expected to include an amount to provide for any termination payment that was due on September 1 of the prior year. Termination payments, however, may be payable from money held in (or permitted to be transferred to) the Subordinated Payment Obligations Fund.

Additional Bonds

The State expects to issue Additional Bonds during this calendar year to refund the remaining two subseries of the 2003 Series B Bonds. In addition, the State anticipates that it will issue Additional Bonds under the Indenture to refund, on or prior to their maturity dates, all or part of the principal of certain maturities of the 2003 Series A Bonds, the 2008 Bonds, or any Additional Bonds, and may issue Additional Bonds under other circumstances. See "PLAN OF FINANCE; Refunding of the Refunded Bonds."

The Indenture permits the issuance of Additional Bonds to pay the State's unfunded prior service liability or its unfunded accrued liability for sick leave conversion credits (subject to the statutory limit described above under "PLAN OF FINANCE; Statutory Authority for Issuance"), to pay accrued or funded interest and issuance expenses, to make deposits to reserve funds, to pay administrative expenses, to pay the costs of credit enhancement facilities, or to make payments under any Swap Agreement or credit facility.

Sources and Uses of Funds

The proceeds from the sale of the 2008 Bonds are expected to be used as follows:

Sources	
Principal Amount of Series A Bonds	$498,120,000.00
Principal Amount of Series B Bonds..	300,000,000.00
TOTAL SOURCES	$798,120,000.00

Uses	
Refunding the Refunded Bonds	$744,850,000.00
Funded Interest	3,479,235.00
Underwriters' Discount	3,538,734.90
Costs of Issuance	1,127,069.93
Swap Termination Payments	39,996,765.00
Premium on Insurance Policy	5,131,195.17
TOTAL USES	$798,120,000.00

THE SERIES A BONDS

General

The Series A Bonds will be dated the date of their issuance. The Series A Bonds will be issued as fully registered bonds, in initial principal denominations of $5,000 or multiples thereof. Each Series A Bond will bear interest from that date, payable on November 1, 2008 and semiannually thereafter on each May 1 and November 1 until its maturity date. The Series A Bonds will bear interest at the rates shown on the inside front cover, computed on the basis of a 30-day month and a 360-day year.

Optional Redemption with Make-Whole Premium

The Series A Bonds are subject to redemption prior to their maturity, at the option of the State, in whole or in part (and if in part, as described below under "THE SERIES A BONDS; Selection of Series A Bonds for Redemption") on any date, at a redemption price equal to the greater of:

- 100 percent of the principal amount of the Series A Bonds to be redeemed, or
- the sum of the present values of the remaining scheduled payments of principal and interest on the Series A Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 12.5 basis points,

plus in each case, accrued and unpaid interest on the Series A Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the redemption price, the following definitions apply:

Treasury Rate means, with respect to any redemption date for a particular Series A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Comparable Treasury Issue means, with respect to any redemption date for a particular Series A Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series A Bond to be redeemed.

Comparable Treasury Price means, with respect to any redemption date for a particular Series A Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

Designated Investment Banker means one of the Reference Treasury Dealers appointed by the State.

Reference Treasury Dealer means each of Citigroup Global Markets Inc., Bear, Stearns & Co. Inc., and Morgan Stanley & Co. Incorporated, and their respective successors and two other firms, specified by the State from time to time, that are primary U.S. Government securities dealers in the City of New York (each a **Primary Treasury Dealer**); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the State will substitute another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Selection of Series A Bonds for Redemption

If some but less than all the Series A Bonds are to be redeemed on any date, the State shall select the aggregate principal amounts of each stated maturity to be redeemed. Redemption payments on the Series A Bonds of any particular stated maturity being redeemed in part will be made on a *pro rata* basis (based on aggregate principal amount) to each registered owner in whose name such Series A Bonds of such stated maturity are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date (the securities depository so long as the book-entry-only system is in effect).

So long as the Series A Bonds are in the book-entry-only system, there will be only one registered owner, and neither the State nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Series A Bonds. See "GLOBAL BOOK-ENTRY SYSTEM."

Notice of Redemption of Series A Bonds

The Trustee shall send a notice of any redemption of Series A Bonds, by first class, registered, or certified mail or, for so long as the Series A Bonds are in the book-entry-only system, as otherwise agreed by the State and the securities depository, to the registered owner of each Series A Bond which will be redeemed in whole or in part, at the address for the registered owner shown in the registration books. Such notice will include the redemption notice information as provided under the Indenture and will be provided at least 30 days but not more than 60 days prior to the date fixed for the redemption. Failure to give a notice of redemption or any defect in any such notice does not affect the validity of the proceedings for the redemption of any Series A Bonds for which proper notice was given.

Any notice of redemption of Series A Bonds may state that it is contingent upon the availability of appropriated funds to pay the full redemption price of the Series A Bonds to be redeemed, or upon the satisfaction of such other conditions as an authorized Department representative may direct. At such time as the Department determines that any condition to such a redemption will not be met, it shall so notify the Trustee. Upon receipt of such notice, the Trustee shall send notice to the owners of the Series A Bonds to which redemption notices were sent, in the same manner in which the redemption notices were sent, stating that the redemption will not occur and that the Series A Bonds identified in the redemption notice will remain outstanding.

Interest on any Series A Bonds or portions of such Series A Bonds called for redemption stops accruing on the redemption date if notice of their redemption has been given as provided in the Indenture, any conditions to the redemption set forth in the notice as described in the preceding paragraph have been satisfied, and money sufficient for their payment is on deposit with the Trustee as required by the Indenture.

If any such notice states that it is contingent, then the failure to pay the redemption price of the Series A Bonds otherwise to be redeemed due to the failure of the conditions identified therein shall not constitute an event of default or give rise to any remedy of the owners of the Series A Bonds.

THE SERIES B BONDS

General

The Series B Bonds will be dated the date of their issuance. The Series B Bonds are issued as fully registered bonds, in initial minimum principal denominations of $100,000 and multiples of $1,000 in excess thereof.

The interest due on the Series B Bonds will be payable on the first Business Day of each month, commencing May 2008. Interest shall be computed on the basis of a 360-day year and the actual number of days in the Interest Period, from the most recent interest payment date to which interest has been paid (or, if no interest has been paid, from the Closing Date).

The unpaid principal amount of the Series B Bonds shall bear interest during each Interest Period at a floating rate per annum equal to One-Month LIBOR for such Interest Period, plus the applicable Interest Rate Margin (as shown on the inside front cover); provided, however, that the interest rate on the Series B Bonds shall never exceed the Maximum Rate.

The Trustee will determine One-Month LIBOR on each LIBOR Determination Date for purposes of calculating the interest due on the Series B Bonds for the related Interest Period. The Trustee's determination will be final and binding upon the State, the owners of the Series B Bonds, and all other parties.

With respect to the calculation of interest on the Series B Bonds, the following definitions apply:

> **Interest Period** means the period from the Closing Date to the first interest payment date for the Series B Bonds, and thereafter the period from each interest payment date to the next interest payment date.
>
> **LIBOR Business Day** means any day on which banks in London and New York City are open for the transaction of international business.
>
> **LIBOR Determination Date** means, with respect to each Interest Period, the second LIBOR Business Day prior to the commencement of such Interest Period.
>
> **Maximum Rate** means 35% per annum.
>
> **One-Month LIBOR** means for any Interest Period, a rate of interest equal to the rate per annum at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market which appears on Reuters Page LIBOR01 as of approximately 11:00 a.m., London time, on the related LIBOR Determination Date. If such rate does not appear on Reuters Page LIBOR01, "One-Month LIBOR" shall be determined on the basis of the rate at which

deposits in United States dollars having a maturity of one month are offered to prime banks in the London interbank market by four major banks in the interbank market selected by the Trustee and in a principal amount of not less than U.S. $1,000,000 and that is representative for a single transaction in such market at such time. The Trustee shall request the principal London office of each of such banks to provide a quotation of its rate. If at least two quotations are provided, "One-Month LIBOR" shall be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of such offered rates. If fewer than two quotations are provided, "One-Month LIBOR" shall be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of the rates quoted at approximately 11:00 a.m., New York City time, on such LIBOR Determination Date by three major banks in New York, New York selected by the Trustee for loans in United States dollars to leading European banks having a maturity of one month, and in a principal amount of not less than U.S. $1,000,000; provided, however, that if the banks selected as provided above are not quoting as mentioned in this sentence, "One-Month LIBOR" in effect for such Interest Period shall be One-Month LIBOR in effect for the immediately preceding Interest Period.

Reuters Page LIBOR01 means the display page so designated (and formerly known as "Telerate Page 3750") on the Reuters Money 3000 Service (or such other page as may replace that page on that service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

Redemption

Optional Redemption

The Series B Bonds are subject to redemption prior to their maturity, at the option of the State, from any source available for such purpose, in whole or in part (and if in part, as described below under "THE SERIES B BONDS; Selection of Series B Bonds for Redemption") on the first Business Day of May 2013 or on any Business Day thereafter, at a redemption price equal to the amount determined from the table below (expressed as a percentage of the principal amount of the Series B Bonds or portions thereof so redeemed), plus accrued interest thereon to the redemption date:

Redemption Date		
On or After	But Prior To	Redemption Price
May 1, 2013	May 1, 2014	103.6%
May 1, 2014	May 1, 2015	102.4
May 1, 2015	May 1, 2016	101.2
May 1, 2016	—	100.0

Mandatory Sinking Fund Redemption

The Series B Bonds are subject to mandatory redemption prior to maturity, at a redemption price equal to par (100% of the principal amount to be redeemed), together with accrued interest to the redemption date, on the first Business Day of May of each of the years, and in the respective amounts, specified below, except that the principal amount of the Series B Bonds to be redeemed on each redemption date will be reduced by a *pro rata* portion (based on the respective principal amounts then scheduled to be redeemed on each remaining redemption date) of the principal amount of any Series B Bonds that have been purchased by the State or the Trustee and cancelled by the Trustee, or redeemed as described above under "THE SERIES B BONDS; Redemption*; Optional Redemption*" at least 45 days before the redemption date:

Redemption Date (First Business Day in May)	**Principal Amount**
2026	$33,145,000
2027	63,415,000
2028	37,905,000
2029	42,115,000
2030	46,650,000
2031	51,540,000
2032[a]	25,230,000

[a] Stated Maturity

Selection of Series B Bonds for Redemption

If some but less than all the Series B Bonds are to be redeemed on any date, redemption payments on the Series B Bonds will be made on a *pro rata* basis (based on aggregate principal amount) to each registered owner in whose name Series B Bonds are registered at the close of business on the Business Day immediately preceding the redemption date.

So long as the Series B Bonds are in the book-entry-only system, there will be only one registered owner, and neither the State nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Series B Bonds. See "GLOBAL BOOK-ENTRY SYSTEM."

Notice of Redemption of Series B Bonds

The Trustee shall send a notice of any redemption of Series B Bonds, by first class, registered, or certified mail or, for so long as the Series B Bonds are in the book-entry-only system, as otherwise agreed by the State and the securities depository, to the registered owner of each Series B Bond which will be redeemed in whole or in part, at the address for the registered owner shown in the registration books. Such notice will include the redemption notice information as provided under the Indenture and will be provided at least 15 days but not more than 45 days prior to the date fixed for the redemption. Failure to give a notice of redemption or any defect in any such notice does not affect the validity of the proceedings for the redemption of any Series B Bonds for which proper notice was given.

Any notice of optional redemption of Series B Bonds may state that it is contingent upon the availability of appropriated funds to pay the full redemption price of the Series B Bonds to be redeemed, or upon the satisfaction of such other conditions as an authorized Department representative may direct. At such time as the Department determines that any condition to such a redemption will not be met, it shall so notify the Trustee. Upon receipt of such notice, the Trustee shall send notice to the owners of the Series B Bonds to which redemption notices were sent, in the same manner in which the redemption notices were sent, stating that the redemption will not occur and that the Series B Bonds identified in the redemption notice will remain outstanding.

Interest on any Series B Bonds or portions of such Series B Bonds called for redemption stops accruing on the redemption date if notice of their redemption has been given as provided in the Indenture, any conditions to the redemption set forth in the notice as described in the preceding paragraph have been satisfied, and money sufficient for their payment is on deposit with the Trustee as required by the Indenture.

If any such notice states that it is contingent, then the failure to pay the redemption price of the Series B Bonds otherwise to be redeemed due to the failure of the conditions identified therein shall not constitute an event of default or give rise to any remedy of the owners of the Series B Bonds.

RATINGS

Ratings on Insured Bonds

At the State's request, the following ratings have been assigned to 2008 Bonds insured under the insurance policy described under "BOND INSURANCE" **(Insured Bonds)**, which is all 2008 Bonds except the Series A Bonds maturing on May 1, 2018 and bearing interest at the rate of 5.238% per annum.

Rating	Rating Agency
AAA	Fitch Ratings
Aaa	Moody's Investors Service, Inc.
AAA	Standard & Poor's Ratings Services

Ratings on Uninsured Bonds/Underlying Ratings

In addition, at the State's request, the following ratings have been assigned to the Series A Bonds maturing on May 1, 2018 and bearing interest at the rate of 5.238% per annum **(Uninsured Bonds)**. The following ratings have also been assigned as underlying ratings on the 2008 Bonds (that is, the ratings that would apply to all 2008 Bonds if the insurance policy were not issued).

Underlying Rating	Rating Agency
A+	Fitch Ratings
A1	Moody's Investors Service, Inc.*
A+	Standard & Poor's Ratings Services

* On March 17, 2008, Moody's Investors Service, Inc. changed its rating outlook on the State's general obligations and appropriation obligations, including the Uninsured Bonds (and the underlying rating on the Bonds), from "stable" to "negative."

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 2008 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 2008 Bonds.

GLOBAL BOOK-ENTRY SYSTEM

The 2008 Bonds will initially be issued in book-entry-only form. Purchasers of the 2008 Bonds will not receive bond certificates but instead will have their ownership in the 2008 Bonds recorded in the book-entry system.

Bond certificates are to be issued and registered in the name of a nominee of The Depository Trust Company (**DTC**), which acts as securities depository for the 2008 Bonds. Ownership of the 2008 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 2008 Bonds must be made, directly or indirectly, through DTC Participants.

Clearstream Banking, société anonyme (**Clearstream**) and Euroclear Bank S.A./N.A. (**Euroclear**) may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. depositories' names on the books of DTC.

Payment

The Trustee will make all payments of principal of, and interest and any redemption premium on, the 2008 Bonds to DTC. Owners of the 2008 Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State or Trustee will provide notices and other communications about the 2008 Bonds to DTC. Owners of the 2008 Bonds will receive any notices or communications through the DTC Participants. In any situation involving rights, DTC will not vote but will rather give a proxy through the DTC Participants.

Redemption

If less than all of the 2008 Bonds of a given maturity are being redeemed, DTC will determine on a *pro rata* basis the amount of 2008 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. Neither the State nor the Trustee is responsible for any information available on DTC's web site. That information may be subject to change without notice. Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2008 Bonds or to follow the procedures established by DTC for its book-entry system.

REGISTRATION AND PAYMENT OF 2008 BONDS

How the 2008 Bonds are paid depends on whether or not they are in book-entry-only form. While the 2008 Bonds are in book-entry-only form (as they are initially), payment of principal of and premium, if any, will be made by wire transfer to the securities depository or its nominee. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

If the 2008 Bonds are not in book-entry-only form, payment of principal of and premium, if any, will be made (i) by check issued upon the presentation and surrender of the 2008 Bonds at the designated office of the Trustee or (ii) in such other fashion as is agreed upon between a registered owner and the Trustee, including without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee. Interest on the 2008 Bonds will be paid to the registered owner shown in the registration book at the close of business on the record date for such payment (i) by check mailed by first class mail, (ii) by wire transfer to any bank in the continental United States, to any securities depository or a registered owner of $1,000,000 or more in aggregate principal amount of Bonds who, by written request delivered to the Trustee no later than the record date for the payment, has requested the Trustee to make any payments of interest due to it at a specified wire transfer address (which request needs to be given only once unless the registered owner wishes to change the wire transfer address), or (iii) in such other fashion as is agreed upon between a registered owner and the Trustee, including without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee.

The record date of the Series A Bonds is the 15th day of the calendar month before the interest payment date, and the record date for the Series B Bonds is the Business Day preceding the interest payment date.

The Trustee serves as the registrar and paying agent for the 2008 Bonds.

Contact:	Deutsche Bank Trust Company Americas Global Debt Services/Trust & Securities Services
Phone:	(212) 250-7848
Mail:	60 Wall Street, FLR 27 Mail Stop NYC60-2715 New York, NY 10005

PAYMENT FROM ANNUAL APPROPRIATIONS

The 2008 Bonds are not general obligations of the State, and the 2008 Bonds do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin Statutes. The payment of the principal of, and premium, if any, and interest on the 2008 Bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds, and if it does not do so, it incurs no liability to the owners of the Bonds. Thus, payment of the Bonds is at the discretion of the Legislature.

General Fund

The Wisconsin Statutes establish the General Fund, into which are deposited income tax, sales tax, and other general tax revenues and other revenues not dedicated to a specific purpose. Out of the General Fund the State pays its general operating expenses, shared revenues to local governmental units, aids to individuals and organizations, and many State program expenses. The budget adopted by the Legislature for the current biennium (2007-09) anticipates total General Fund revenues of over $23.887 billion for the first fiscal year and over $24.703 billion for the second fiscal year. See APPENDIX B.

The State has chosen a name for the Bonds that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and intent (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to obligations such as the Bonds. A budget adopted for a future year, however, may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund).

2007-09 Biennium

Under the Indenture, the Department is required to take actions to facilitate the appropriation for each year of a specified amount **(Annual Appropriation Amount)** for the purpose of paying debt service on the Bonds and for other purposes under the Indenture. The General Fund budget adopted by the Legislature for the current biennium (2007-09) includes the Annual Appropriation Amounts of $190.8 million for the first fiscal year and $200.6 million for the second fiscal year. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Indenture Provisions Regarding Annual Appropriations" for information regarding the determination of those appropriation amounts. Because the Annual Appropriation Amount is determined prior to the start of a biennium, no changes will result in the previously determined Annual Appropriation Amounts in connection with the issuance of the 2008 Bonds and the refunding of the Refunded Bonds. However, the amounts appropriated for the current biennium will be sufficient to fund all payments of principal of and interest due on the Bonds and net payments on the outstanding Swap Agreements through June 30, 2009.

In addition, the Annual Appropriation Amount for the second fiscal year is based on the greater of the amount determined for the 2008-09 fiscal year and the amount determined for the first year of the next biennium. As a result of the issuance of the 2008 Bonds and the refunding of the Refunded Bonds, the Annual Appropriation Amount for the 2009-10 fiscal year will decrease. If the Legislature did not adopt a new budget before the start of the 2009-11 biennium, the continuing authority of appropriations from the 2008-09 fiscal year would be sufficient to make all payments of principal and interest due on the Bonds and net payments on the outstanding Swap Agreements through June 30, 2010. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Annual Appropriations and Continuing Authority."

Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change.

The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. A biennium begins on July 1 of each odd-numbered year and ends on June 30 of the succeeding odd-numbered year. The requirement for a state budget is linked directly to the Wisconsin Constitution, which provides that "No money shall be paid out of the treasury except in pursuance of an appropriation by law." The Wisconsin Constitution requires a balanced budget. It also requires that, if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to pay the deficiency in the succeeding fiscal year.

Budget Requests from Agencies

The formal budget process begins when the State Budget Office in the Department issues instructions to State agencies for submission of their budget requests for the next biennium. Most larger agencies actually begin their internal processes for development of their budget requests several months prior to the issuance of these instructions.

By statute, agency budget requests are to be submitted no later than September 15 of each even-numbered year. Agencies are required, by statute, to submit copies of their budget requests to the Legislative Fiscal Bureau, or LFB, at the same time that copies are delivered to the State Budget Office.

Executive Budget

The Secretary of Administration is required, by statute, to provide to the Governor or Governor-elect and to each member of the next Legislature, by November 20 of each even-numbered year, a compilation of the total amount of each agency's biennial budget request. The statutes require that summary information be compiled on the actual and estimated revenues for the current and forthcoming biennium. These revenue estimates are used by the Governor as the basis on which total General Fund biennial budget spending levels are recommended. The State Budget Director (who is an appointee of the Secretary of Administration) is involved in the review of agency requests and the development of the Governor's budget recommendations for appropriations. In addition, the Governor's budget recommendations include any statutory language changes needed to accomplish the policy initiatives and program or appropriation changes that are part of the Governor's recommendations. A draft bill is prepared by the Legislative Reference Bureau incorporating the Governor's fiscal and statutory recommendations.

Under state law, the Governor is required to deliver the biennial budget message and executive budget bill or bills to the Legislature on or before the last Tuesday in January of each odd-numbered year. However, upon request of the Governor, a later submission date may be allowed by the Legislature upon passage of a joint resolution. A late submission date was requested, and allowed, for each of the last ten executive budget bills.

The statutes provide that immediately after delivery of the Governor's budget message, the executive budget bill or bills must be introduced by the Joint Committee on Finance, without change, into one of the two houses of the Legislature. Upon introduction, the bill or bills must be referred to that committee for review. Committee review is usually the first step in the legislative processing of any proposed statutory enactment. However, because of both the complexity of the budget and its significance, committee review of the budget bill is the most extensive and involved review given to any bill in a legislative session.

Legislative Consideration

LFB usually provides initial overview briefings on the budget for the Joint Committee on Finance. The committee holds public hearings on the proposed budget, including both hearings at which agencies present informational briefings and hearings to allow public comment. Other legislative committees may hold meetings, at the discretion of the committee chairperson, to inform committee members of particular aspects of the budget that may affect the substantive interests of the committee.

Upon conclusion of the public hearings, the Joint Committee on Finance commences executive sessions of the Governor's recommended budget. The committee invariably adopts a budget that contains numerous changes to the Governor's recommendations. The form of the committee's budget is usually a substitute amendment to the Governor's budget bill rather than being a separately identified new bill.

The two houses of the Legislature rarely pass identical versions of the budget in their first consideration. There are alternative methods available for achieving resolution of the differences between the two houses on bills. A common method is for one house to seek a committee of conference on the bill wherein a specified number of members from each house are delegated to meet as a bargaining committee with the goal of producing a report reconciling the differences. Another method that has been used from time to time has been to successively pass, between the houses, narrowing amendments dealing only with the points of difference between the respective budgets as initially recommended by the two houses.

Governor's Partial Veto Power

The Wisconsin Constitution grants the Governor the power of partial veto for any appropriation bill. This means that rather than having to approve or reject the budget bill in its entirety, the Governor may selectively delete portions of the budget bill. Thus, both language and dollar amounts in a budget bill may be eliminated by the Governor's veto, and dollar amounts may be reduced. The budget bill (less any items deleted or reduced by the Governor's partial veto) then becomes the State's fiscal policy document for the next two years.

Just as it may do with a Governor's veto of a bill in its entirety, the Legislature may, with a two-thirds vote by each house, override a partial veto and enact the vetoed portion into law. This action may be taken before or after the budget becomes effective.

Annual Appropriations and Continuing Authority

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two fiscal years that the biennium comprises, and any unused amount would lapse at the end of the fiscal year. The State's fiscal year begins July 1, and an annual appropriation is effective on the later of that date or (in the case of the first year of a biennium) the effective date of the new biennial budget.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. The Wisconsin Statutes provide that if an existing appropriation for the second year of a biennium is not amended or repealed, it continues in effect for all subsequent fiscal years. In the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new budget is enacted. In other words, unless legislative action is taken to amend or repeal an appropriation, the prior-year appropriation will provide continuing authority for expenditures in the current fiscal year. Once a newly adopted budget becomes effective, the continuing authority is terminated.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The budget for the current biennium was not enacted until October 26, 2007. Since 1967, this is the second latest date that a budget has been adopted after the start of a fiscal year; the latest date was early in the month of November, or just over four months into the first fiscal year of the biennium.

Fiscal Controls

The Wisconsin Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has post-audit responsibility.

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature has done, including for the 2007-09 biennium) and also requires that if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

A budget could move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. The Wisconsin Statutes provide that, following the enactment of the budget, if the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues (consisting of general taxes, miscellaneous receipts, and revenues collected by state agencies which lose their identity and are available for appropriation by the Legislature), then no approval of expenditure estimates can occur. Further, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill correcting the imbalance. If the Legislature is not in session, the Governor must call a special session to take up the matter.

Based on the projections included in the February 13, 2008 LFB Memorandum, the Secretary of Administration made a determination on March 5, 2008 that budgeted expenditures will exceed revenues by more than one-half on one percent of general purpose revenues. As part of making this determination, the Secretary of Administration also provided the required notification to the Governor and Legislature. In response to this determination, the Governor issued an executive order convening a special session of the Legislature on March 13, 2008 to consider and act upon legislation relating to the projected budget shortfall. A budget adjustment bill and amendments thereto have been introduced in the Legislature to address the budget shortfall. See APPENDIX B.

Priority of Payments

If needed, the Secretary of Administration also has statutory power to order reductions in the appropriations of state agencies (which represent less than one-quarter of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations; if this were to occur, the Secretary of Administration has covenanted in the Indenture to give debt service payments on the Bonds the highest possible priority permitted by law.

Enabling Act Provisions

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds, expresses its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

The Enabling Act also contains a legislative finding that the State, by prepaying part or all of its unfunded prior service liability and its unfunded liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. As a practical matter, it was expected that amounts that otherwise would have been expended for the annual payments of the unfunded liabilities (based on amounts scheduled for payments from the General Fund and other funds for that purpose at the time of adoption of the Enabling Act) would be sufficient to offset the expenditures from the General Fund necessary to pay the Bonds. The debt service payments are intended to replace payments the State would otherwise have made to amortize the prior service and sick leave conversion credit liabilities.

The Wisconsin Statutes include an appropriation of moneys received from any sale of refunding appropriation bonds for payment of the redemption price of refunded bonds and related obligations incurred under ancillary agreements (such as Swap Agreements). The Wisconsin Statutes also include, in the schedule of annual appropriations, an appropriation from the General Fund to make debt service costs due in the current fiscal year on appropriation obligations (such as the Bonds) issued under the Enabling Act, to make payments under ancillary agreements, to make deposits into reserve funds, and to pay related issuance or administrative costs. See "PAYMENT FROM ANNUAL APPROPRIATIONS; 2007-09 Biennium."

Indenture Provisions Regarding Annual Appropriations

The Indenture contains several provisions regarding the budget process and the resulting appropriations. The Annual Appropriation Amount equals the sum of the following amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater):

- *Bonds - Principal Maturities.* The amount of principal of Bonds coming due during the fiscal year.

- *Bonds - Redemption*. The amount of principal of Bonds to be redeemed during the fiscal year, including any scheduled amount to be redeemed pursuant to optional redemption.

- *Bonds - Fixed Rate Interest*. Interest to be paid during the fiscal year on Bonds bearing interest at a fixed rate.

- *Bonds - Variable Rate Interest (Maximum Rate)*. Interest that would be payable during the fiscal year on Bonds bearing interest at a variable rate, assuming they bore interest at the maximum permitted rate.

- *Swap Agreements (Maximum Rate)*. The maximum amount of any payment obligations (other than termination payments) that would be payable during the fiscal year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such Swap Agreement were at 15% per annum.

- *Credit Facilities*. The maximum amount of payments due during the fiscal year with respect to credit facilities, to the extent not included in the amounts described above.

- *Administrative Expenses*. Estimated administrative expenses payable from the Operating Expense Fund during the fiscal year.

- *Swap Termination Payments*. The amount of all termination payments with respect to Swap Agreements that are unpaid as of the September 1 immediately preceding the commencement of the biennium that includes the fiscal year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

The table below summarizes the determination of the Annual Appropriation Amount for the current biennium, pursuant to the factors outlined above. See "PAYMENT FROM ANNUAL APPROPRIATIONS; 2007-09 Biennium."

DETERMINATION OF ANNUAL APPROPRIATION AMOUNT

Determination For 2007-09 Biennium	Fiscal Year 2007-08	Fiscal Year 2008-09 (Equal to Greater Total of the Following)	
		Fiscal Year 2008-09	Fiscal Year 2009-10[(a)]
Bonds – Principal Maturities	$ 0	$ 0	$ 0
Bonds – Redemption	0	6,100,000	10,850,000
Bonds – Fixed Rate Interest	45,700,000	45,700,000	45,700,000
Bonds – Variable Rate Interest (Maximum Rate)	141,727,500	141,575,000	140,693,750
Swap Agreements (Maximum Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	3,405,643	3,403,326	3,385,517
Swap Termination Payments	0	0	0
Totals[(b)]	$190,833,100	$196,778,300	$200,629,300

(a) Reflects the first fiscal year of the next biennium.
(b) Rounded to the nearest hundred.

The Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any fiscal year to pay when due all debt service on the Bonds and payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination of the Annual Appropriation Amount for that fiscal year (**Subordinated Swap Payment Obligations**). Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice thereof to the Trustee.

The Indenture provides that, in the event an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature fails to include the Annual Appropriation Amount, the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee, stating the nature of the deficiency. Similarly, in the event a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the legislature seeking the introduction of a separate bill authorizing the appropriation that would be needed.

Funds Established by Indenture

The Indenture establishes an Appropriations Fund, an Operating Expense Fund, a Debt Service Fund, a Subordinated Payment Obligations Fund, and a Stabilization Fund.

On the first business day of each fiscal year, the State shall pay to the Trustee from appropriated funds, for deposit in the Appropriations Fund, an amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during that fiscal year to pay principal of Bonds (including any scheduled amount to be redeemed by optional redemption), interest on the Bonds, any payment obligations (other than termination payments) with respect to Swap Agreements, and administrative expenses. The amount of the deposit is expected to be less than the Annual Appropriation Amount.

The Indenture requires the Trustee, upon receipt of the deposit, to transfer from the Appropriations Fund an amount designated by the State (and consistent with its determination of the amount required to be deposited in that fund) to the Operating Expense Fund and then transfer the balance into the Debt Service Fund.

The Indenture requires the Trustee to apply money in the Debt Service Fund to pay:

- The unpaid interest due on the Bonds on each payment date.
- The amount due on Swap Agreements (other than Subordinated Swap Payment Obligations).
- The principal installment of Bonds due on each payment date.
- The principal due upon optional redemption of Bonds.

On any payment date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Indenture requires the Trustee to withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall, and thereafter (if a shortfall still exists) to withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition to the amounts specifically required by the Indenture. A portion of the proceeds from the sale of the 2008 Bonds will be deposited in the Operating Expense Fund and the Debt Service Fund. The Stabilization Fund is currently funded in the amount of $32,935,000 but may, after the 2003 Bonds are no longer outstanding, be reduced to any amount determined by an authorized Department representative to be reasonable, so long as the Department provides confirmation from at least two rating agencies then maintaining a rating of the Bonds that such reduction will not result in a withdrawal or downgrade of the ratings of the Bonds. The State is permitted, but not required, to put additional amounts in the Stabilization Fund from time to time.

See "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts" in APPENDIX A for a more detailed description of the provisions summarized above.

BOND INSURANCE

The information in the following sections "Bond Insurance Policy" and "Financial Security Assurance Inc." has been supplied by Financial Security Assurance Inc. **(Financial Security)** for inclusion in this Official Statement. No representation is made by the State or the Underwriters as to the accuracy or completeness of the information.

Bond Insurance Policy

Concurrently with the issuance of the Insured Bonds, Financial Security Assurance Inc. **(Financial Security)** will issue its Municipal Bond Insurance Policy **(Policy).** The Insured Bonds include all 2008 Bonds, except the Series A Bonds maturing on May 1, 2018 and bearing interest at the rate of 5.238% per annum. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as EXHIBIT E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. **(Holdings)**. Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking, and asset management in France, Belgium, and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately $2,703,119,716 and its total net unearned premium reserve was approximately $2,274,576,959 in accordance with statutory accounting principles. At December 31, 2007, Financial Security's consolidated shareholder's equity was approximately $2,962,301,379, and its total net unearned premium reserve was approximately $1,796,984,819 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this section of the Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this section of the Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings, or other causes. Financial Security makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. Financial Security makes no representation regarding this Official Statement, nor has it participated in the preparation hereof, except that Financial Security has provided to the State the information presented in this section of this Official Statement.

Nature of Bond Insurance

In the event the State fails to make regularly scheduled payments of the principal of and interest on any Insured Bonds when the same become due (including upon mandatory sinking fund redemption of the Series B Bonds) any owner of such Insured Bonds shall have recourse against Financial Security for such payments. There can be no assurance that Financial Security will have the sufficient revenues to enable it to make timely payments on such Insured Bonds. Moreover, the Policy does not insure the principal of or interest on the Insured Bonds coming due by reason of optional redemption, nor does it insure the payment of any redemption premium payable upon the optional redemption of the Insured Bonds.

In the event that Financial Security were unable to make payments of principal and interest on Insured Bonds as such payments become due, such Insured Bonds would be payable solely from moneys received by the Trustee pursuant to the Indenture.

So long as Financial Security performs its obligations under the Policy, it is entitled to act on behalf of the owners of the Insured Bonds in connection with the direction of remedies that the Trustee exercises under the Indenture. See "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers" in APPENDIX A.

Financial Security is not entitled to act in the stead of the owners of the Uninsured Bonds for any purposes of the Indenture. However, at any time while the majority of the outstanding principal amount of the Series A Bonds are Insured Bonds, Financial Security will have the right to control directions and other actions to be given or taken by the owners of a majority in aggregate principal amount of the Series A Bonds and, in doing so, to act in its own interest.

Uninsured Bonds

The Series A Bonds maturing on May 1, 2018 and bearing interest at the rate of 5.238% per annum are not guaranteed under the Policy or any other bond insurance policy.

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of and interest on the Bonds, including the 2008 Bonds, is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments, and its obligation to make payments on the Swap Agreements, is subject to annual appropriation of the necessary funds by the Legislature. The amounts that are payable in any year from the annual appropriation are subject to change, for example, because of the termination of existing Swap Agreements, the State's entering into additional Swap Agreements, the State's issuance of refunding bonds or Additional Bonds, or the State's issuance of other appropriation obligations. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments in the future.

The owners of Bonds, including the 2008 Bonds, could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act. The Governor may include or exclude the annual appropriations in the executive budget bill, and similarly, the Legislature may include or exclude the annual appropriations in the budget it adopts. Moreover, even if the annual appropriations are included in the budget the Legislature adopts, the Governor has the power to veto the appropriations. See "PAYMENT FROM ANNUAL APPROPRIATIONS."

No Collateral

Other than granting a security interest in money held in funds under the Indenture, the State has not pledged any collateral or other security to support payment of the principal of or interest on the Bonds, including the 2008 Bonds. If the State were to fail to appropriate sufficient funds for that payment, the owners of the Bonds, including the 2008 Bonds, would not have any recourse against any other property of the State. Other than the 2003 Bonds, the State has not previously issued obligations that are payable solely from annual appropriations, without providing collateral security.

Nature of Moral Obligation

The Legislature has recognized a moral obligation to appropriate money; however, the recognition of a moral obligation does not create a legally enforceable obligation. The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment as not legally required.

Legislative Decision-Making

Legislative decisions, such as making appropriations through the adoption of a budget, may be influenced by many factors. The Secretary of Administration believes that failure to make payments of the principal of, and premium, if any, and interest on, any of the Bonds might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments.

Future occurrences could adversely affect legislative support for appropriating the money needed for those payments. For example, the State issued the 2003 Bonds being refunded by the 2008 Bonds with the expectation that it would thereby save money, as compared to the payments it would otherwise have had to make, but may fail to realize these expectations.

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the State intends to refund, on or prior to their maturity dates, the principal amount of certain maturities of the Bonds so that the principal will be repaid in smaller annual amounts over the following years. If any of those maturities were not so refunded, a substantially larger payment would be required in the appropriation for the year those maturities come due. In addition, the Legislature may authorize the State to issue other obligations that are payable from the same annual appropriations, and it may also consider and adopt legislation that changes the amounts of existing appropriations.

Investment Loss

In the event a loss were incurred on appropriated funds held in funds or accounts under the Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See "SUMMARY OF THE INDENTURE; Definition of Certain Terms" in APPENDIX A for a description of "Qualified Investments."

Defeasance

A defeasance of the 2008 Bonds may cause the recognition of a gain or loss, for federal tax purposes, at the time of the defeasance. See "UNITED STATES TAX CONSEQUENCES; United States Owners; *Purchase, Sale, Exchange, and Retirement of 2008 Bonds*."

Additional Bonds

The Indenture does not preclude the issuance of Additional Bonds under circumstances in which the resulting debt service might exceed the amount appropriated for the biennium during which the Additional Bonds are issued. The Indenture does, however, require the State to provide the Trustee with a letter from each of at least two of the rating agencies then rating the Bonds that the issuance of the Additional Bonds would not adversely affect the ratings assigned to the Bonds by that rating agency.

OTHER INFORMATION

Recent and Planned Borrowings

Appropriation Obligations

Other than Additional Bonds that the State expects to issue to refund the remaining two subseries of the 2003 Series B Bonds, the State does not currently plan to issue any Additional Bonds under the Indenture during this calendar year.

General Obligations

Since the State released its 2007 Annual Report, the State has initiated the issuance of general obligation extendible municipal commercial paper under two programs: tax-exempt notes and tax-exempt AMT notes. This issuance funds approximately $452 million of general obligation extendible municipal commercial paper that was previously issued under multiple series designations in previous calendar years.

The State of Wisconsin Building Commission has also authorized the issuance of the following general obligations:

- Up to $350 million of general obligation bonds to refund general obligations bonds previously issued for general governmental purposes. The amount and timing of any general obligation refunding bonds depend on market conditions.

- Up to $41 million of general obligation bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any general obligation refunding bonds depend on market conditions.

- 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 general obligations for this purpose depend on originations of veterans housing loans.

- Up to $55 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. Approximately $10 million of these general obligation bonds were issued on March 18, 2008. The amount and timing of any additional general obligation subsidy bonds for this purpose depend on various factors, including the amount and timing of loan disbursements from the Clean Water Fund Program.

- Up to $168 million of general obligations to fund general governmental purposes, which may be in the form of bonds, commercial paper notes, or extendible municipal commercial paper. The amount and timing of any general obligations for this purpose depend on disbursements from the State's Capital Improvement Fund but are expected to occur in the second quarter of calendar year 2008.

Underwriting

The 2008 Bonds are being purchased by the Underwriters, for which Citigroup Global Markets Inc. is serving as representative. The Underwriters have agreed, subject to certain conditions, to purchase from the State (in the purchase-and-exchange transaction described in "PLAN OF FINANCE; Refunding of the Refunded Bonds") the Series A Bonds at an aggregate purchase price of $495,875,841.90 (reflecting an underwriter's discount of $2,244,158.10) and the Series B Bonds at an aggregate purchase price of $298,705,423.20 (reflecting an underwriter's discount of $1,294,576.80). The Underwriters have agreed to reoffer the 2008 Bonds at the public offering prices set forth on the inside front cover of this Official Statement. The 2008 Bonds may be offered and sold to certain dealers (including dealers depositing the 2008 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 2008 Bonds if they purchase any of the 2008 Bonds.

The Underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions, and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum. Syndicate covering transactions involve purchases of the 2008 Bonds in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit an Underwriter to reclaim a selling concession from a syndicate member when the 2008 Bonds originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions, and penalty bids may cause the price of the 2008 Bonds to be higher than it would otherwise be in the absence of such transactions. Such transactions, if commenced, may be discontinued at any time.

The counterparties to the 2003 Swap Agreements and the 2005 Swap Agreements are affiliates of certain Underwriters.

Certain legal matters will be passed upon for the Underwriters by their counsel, Quarles & Brady LLP.

Global Plan of Distribution

The 2008 Bonds are offered by the Underwriters for sale in various jurisdictions in the United States, Europe, Asia, and elsewhere where it is lawful to make such offers. Each Underwriter has undertaken that it will not offer, sell, or deliver, directly or indirectly, any of the 2008 Bonds or distribute this Official Statement or any other material relating to the 2008 Bonds, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and not impose any obligations on the State except as contained in the purchase contract between the State and the Underwriters. Persons who receive this Official Statement are required to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell, or deliver the 2008 Bonds or have in their possession, distribute, or publish any offering material relating to the 2008 Bonds, in all cases at their own expense.

Reference Information About the 2008 Bonds

The tables on the inside front cover provide information about the 2008 Bonds. The identification numbers for each maturity (such as the CUSIP, ISIN, and Euroclear and Clearstream Common Code numbers) have been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of those numbers or other identifying numbers assigned to the 2008 Bonds. The Underwriters have provided the reoffering prices.

Financial Advisor

Public Financial Management, Inc. has been employed by the State to perform professional services in the capacity of financial advisor. The financial advisor has provided advice on the plan of finance and the structure of the 2008 Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 2008 Bonds by the Underwriters.

Legal Opinion

Legal matters incident to the authorization, issuance, and sale of the 2008 Bonds are subject to the approval of Foley & Lardner LLP, Bond Counsel, whose approving opinion, substantially in the form shown in APPENDIX C, will be delivered on the date of issue of the 2008 Bonds. In the event certificated 2008 Bonds are issued, the opinion will be printed on the reverse side of each 2008 Bond. Foley & Lardner LLP also serves as counsel to the State with respect to the Swap Agreements.

Litigation

There is no action, suit, or proceeding, either pending or threatened in writing, known to the State Attorney General, restraining the issuance, sale, execution, or delivery of the 2008 Bonds or in any way contesting or affecting (i) the titles to their respective offices of any of the State officers involved in the issuance of the 2008 Bonds, (ii) the validity of the 2008 Bonds or any proceedings of the State taken with respect to the issuance or sale of the 2008 Bonds, or (iii) the appropriation of any money provided for payment of the 2008 Bonds. The State Attorney General will render an opinion to this effect when the 2008 Bonds are delivered.

DISCLAIMER REGARDING FEDERAL TAX DISCUSSIONS

Any discussion of U.S. federal tax issues included in this Official Statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding federal tax penalties that may be imposed on the taxpayer. Such discussions were written in connection with the promotion or marketing of the 2008 Bonds. Each taxpayer should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

UNITED STATES TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of 2008 Bonds by certain persons. This summary does not consider all the possible federal income tax consequences of the purchase, ownership, or disposition of the 2008 Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a 2008 Bond at its issue price, which is the first price at which a substantial amount of the 2008 Bonds is sold to the public, and who hold 2008 Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code. This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold 2008 Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprising a 2008 Bond and one or more other investments, or United States Owners (as defined below) that have a "functional currency" other than the United States dollar (**Special Taxpayers**). Except to the extent discussed below under "UNITED STATES TAX CONSEQUENCES; Non-United States Owners," this summary is applicable only to a person (**United States Owner**) who or which is the beneficial owner of 2008 Bonds and is (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State (including the District of Columbia), or (iii) a person otherwise subject to federal income taxation on its worldwide income. This summary is based upon the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or the interpretations, any of which may be applied retroactively. It does not discuss the tax laws of any state, local, or foreign governments.

United States Owners

Payments of Stated Interest

In general, for a beneficial owner who or which is a United States Owner, interest on a 2008 Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner's method of accounting for tax purposes.

Original Issue Discount

If the stated redemption price at maturity of a 2008 Bond exceeds its "issue price," such excess is treated as original issue discount (**OID**) unless the amount of such excess is less than a specified *de minimis* amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity). The issue price of the 2008 Bonds is the first price at which a substantial amount of the 2008 Bonds is sold to the public. The issue price of the 2008 Bonds is expected to be the amount set forth on the inside front cover of this Official Statement but is subject to change based on actual sales.

The 2008 Bonds are not expected to be issued with OID. The remainder of this discussion assumes that there will be no OID on the 2008 Bonds.

2008 Bonds Purchased at a Premium

Under the Internal Revenue Code, a United States Owner that purchases a 2008 Bond for an amount in excess of its stated redemption price at maturity may elect to treat such excess as "amortizable bond premium," in which case the amount of interest required to be included in the United States Owner's income each year with respect to interest on the 2008 Bond will be reduced by the amount of amortizable bond premium allocable (based on the 2008 Bond's yield to maturity) to that year. If such an election is made, the amount of each such reduction in interest income will result in a corresponding reduction in the United States Owner's tax basis in the 2008 Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the United States Owner at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Owner and may not be revoked without the consent of the Internal Revenue Service.

2008 Bonds Purchased at a Market Discount

A 2008 Bond will be treated as acquired at a market discount (**market discount Bond**) if the amount for which a United States Owner purchased the 2008 Bond is less than the 2008 Bond's principal amount, unless such difference is less than a specified *de minimis* amount.

In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount Bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the 2008 Bond. Alternatively, a United States Owner of a market discount Bond may elect to include market discount in income currently over the life of the market discount Bond. That election applies to all debt instruments with market discount acquired by the electing United States Owner on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. If an election is made to include market discount in income currently, the tax basis of the 2008 Bond in the hands of the United States Owner will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Owner elects to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount Bond with respect to which it is made and is irrevocable. A United States Owner of a market discount Bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the 2008 Bond in an amount not exceeding the accrued market discount on such 2008 Bond until the maturity or disposition of the 2008 Bond.

Election to Treat All Interest as OID

A United States Owner may elect in the year of acquisition of a 2008 Bond to account for all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, and *de minimis* market discount, as adjusted by any amortizable bond premium or acquisition premium) that accrues on the 2008 Bond by using the constant yield method applicable to OID. Any such election may not be revoked without the consent of the Internal Revenue Service.

Purchase, Sale, Exchange, and Retirement of 2008 Bonds

A United States Owner's tax basis in a 2008 Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Owner's income with respect to the 2008 Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the 2008 Bond. A United States Owner generally will recognize gain or loss on the sale, exchange, or retirement of a 2008 Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Owner's tax basis in the 2008 Bond. Except to the extent described above under "UNITED STATES TAX CONSEQUENCES; United States Owners; *2008 Bonds Purchased at a Market Discount*," gain or loss recognized on the sale, exchange, or retirement of a 2008 Bond will be capital gain or loss and will be long-term capital gain or loss if the 2008 Bond was held for more than one year.

The Indenture permits the State to defease the 2008 Bonds, in whole or in part. For federal income tax purposes, the 2008 Bonds that are the subject of such defeasance may be deemed to be retired and "reissued" as a result of the defeasance. In that event, a United States Owner who or which owns such a

2008 Bond would recognize gain or loss on the 2008 Bond at the time of the defeasance. For periods after the date of defeasance, the amounts of income recognized with respect to such a 2008 Bond by the United States Owner, and the times at which such income is recognized, might be different from the respective amounts and times that would have applied in the absence of a defeasance.

Non-United States Owners

The following is a general discussion of certain United States federal income and estate tax consequences resulting from the beneficial ownership of 2008 Bonds by a person other than a United States Owner or a former United States citizen or resident (**Non-United States Owner**).

Interest earned on a 2008 Bond by a Non-United States Owner will be considered "portfolio interest," and will not be subject to United States federal income tax or withholding, if:

- the Non-United States Owner is neither (i) a "controlled foreign corporation" that is related to the State as described in Section 881(c)(3)(C) of the Internal Revenue Code, nor (ii) a bank receiving the interest on a loan made in the ordinary course of its business;

- the certification requirements described below are satisfied; and

- the interest is not effectively connected with the conduct of a trade or business within the United States by the Non-United States Owner.

The certification requirements will be satisfied if either (i) the beneficial owner of the 2008 Bond timely certifies, under penalties of perjury, to the State or to the person who otherwise would be required to withhold United States tax that such owner is a Non-United States Owner and provides its name and address, or (ii) a custodian, broker, nominee, or other intermediary acting as an agent for the beneficial owner (such as a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business) that holds the 2008 Bond in such capacity timely certifies, under penalties of perjury, to the State or to the person who otherwise would be required to withhold United States tax that such statement has been received from the beneficial owner of the Bond by such intermediary, or by any other financial institution between such intermediary and the beneficial owner, and furnishes to the State or to the person who otherwise would be required to withhold United States tax a copy thereof. The foregoing certification may be provided on a properly completed IRS Form W-8BEN or W-8IMY, as applicable, or any successor forms, duly executed under penalties of perjury. With respect to the certification requirement for 2008 Bonds that are held by an entity that is classified for United States federal income tax purposes as a foreign partnership, the applicable Treasury Regulations provide that, unless the foreign partnership has entered into a withholding agreement with the Internal Revenue Service, the foreign partnership will be required, in addition to providing an intermediary Form W-8IMY, to attach an appropriate certification by each partner, and to attach a statement allocating payments on such 2008 Bonds to the various partners.

If a Non-United States Owner is engaged in a trade or business in the United States and interest on the 2008 Bond is effectively connected with the conduct of such trade or business, the Non-United States Owner, although exempt from the withholding tax discussed above (provided that such beneficial owner timely furnishes the required certification to claim such exemption), may be subject to United States Federal income tax on such interest (and on any gain realized on a sale or other disposition of the 2008 Bond) in the same manner as if it were a United States Owner. If the non-United States Owner is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a 2008 Bond will be included in the earnings and profits of the beneficial owner if the interest is effectively connected with the conduct by the beneficial owner of a trade or business in the United States. Such a beneficial owner must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States Federal withholding tax.

Any payments to a Non-United States Owner of interest that do not qualify for the portfolio interest exemption and that are not effectively connected with the conduct of a trade or business within the United States by the Non-United States Owner will be subject to United States Federal income tax and withholding at a rate of 30% (or at a lower rate under an applicable tax treaty).

Any capital gain or market discount realized on the sale, exchange, retirement, or other disposition of a 2008 Bond by a Non-United States Owner will not be subject to United States federal income or withholding taxes if (i) the gain is not effectively connected with a United States trade or business of the Non-United States Owner and (ii) in the case of an individual, the Non-United States Owner is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement, or other disposition and certain other conditions are met.

2008 Bonds owned by an individual who is neither a citizen nor a resident of the United States for United States Federal estate tax purposes at the time of the individual’s death will not be subject to United States Federal estate tax, provided that at the time of the individual’s death the income from the 2008 Bonds was not or would not have been effectively connected with a United States trade or business of the individual and that the individual qualified for the exemption from United States Federal withholding tax (without regard to the certification requirements) described above.

Purchasers of 2008 Bonds that are Non-United States Owners should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the 2008 Bonds.

Information Reporting and Back-up Withholding

In general, information reporting requirements will apply with respect to payments to a United States Owner of principal and interest (and with respect to annual accruals of OID) on the 2008 Bonds, and with respect to payments to a United States Owner of any proceeds from a disposition of the 2008 Bonds. This information reporting obligation, however, does not apply with respect to certain United States Owners including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Owner subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service that it has failed to properly report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Owner on or with respect to the 2008 Bonds.

Any payments of interest and OID on the 2008 Bonds to a Non-United States Owner generally will be reported to the Internal Revenue Service and to the Non-United States Owner, whether or not such interest or OID is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Any payments of interest and OID on the 2008 Bonds to a Non-United States Owner generally will not be subject to backup withholding and additional information reporting, provided that (i) the Non-United States Owner certifies, under penalties of perjury, on IRS Form W-8BEN (or a suitable substitute form) that it is not a United States person and certain other conditions are met, or (ii) the Non-United States Owner otherwise establishes an exemption.

The payment to a Non-United States Owner of the proceeds of a disposition of a 2008 Bond by or through the United States office of a broker generally will not be subject to information reporting or backup withholding if the Non-United States Owner either certifies, under penalties of perjury, on IRS Form W-8BEN (or a suitable substitute form) that it is not a United States person and certain other conditions are met, or the Non-United States Owner otherwise establishes an exemption. Information reporting and backup withholding generally will not apply to the payment of the proceeds of a disposition of a 2008 Bond by or through the foreign office of a foreign broker (as defined in applicable Treasury regulations). Information reporting requirements (but not backup withholding) will apply, however, to a payment of the proceeds of the disposition of a 2008 Bond by or through (i) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (ii) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (iv) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding provisions may be credited against the United States federal income tax liability of the beneficial owner, and may entitle the beneficial owner to a refund, provided that the required information is furnished to the Internal Revenue Service.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the 2008 Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

State Tax Considerations

In addition to the federal income tax consequences described above, potential investors should consider the state income tax consequences of the acquisition, ownership, and disposition of 2008 Bonds. State income tax law may differ substantially from the corresponding federal law, and the foregoing is not intended to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to the various state tax consequences of an investment in 2008 Bonds.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (**ERISA**), imposes certain fiduciary and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (**ERISA Plans**). Section 4975 of the Internal Revenue Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) of the Internal Revenue Code and on Individual Retirement Accounts described in Section 408(b) of the Internal Revenue Code (collectively, **Tax-Favored Plans**). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA) and, if no election has been made under Section 410(d) of the Internal Revenue Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Accordingly, assets of such plans may be invested in 2008 Bonds without regard to the ERISA considerations described below, subject to the provisions of applicable federal and state law. Any such plan which is a Qualified Retirement Plan and exempt from taxation under Sections 401(a) and 501(a) of the Internal Revenue Code, however, is subject to the prohibited transaction rules set forth in the Internal Revenue Code.

In addition to the imposition of general fiduciary requirements, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, **Benefit Plans**) and persons who have certain specified relationships to the Benefit Plans (**Parties in Interest** or **Disqualified Persons**), unless a statutory or administrative exemption is available. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Internal Revenue Code) unless a statutory or administrative exemption is available.

Certain transactions involving the purchase, holding, or transfer of 2008 Bonds might be deemed to constitute prohibited transactions under ERISA and the Internal Revenue Code if assets of the State were deemed to be assets of a Benefit Plan. Under a regulation issued by the United States Department of Labor (**Plan Assets Regulation**), the assets of the State would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Internal Revenue Code only if the Benefit Plan acquires an "equity interest" in the State and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the 2008 Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. However, without regard to whether the 2008 Bonds are treated as an equity interest for such purposes, the acquisition or holding of 2008 Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the State, or any of its affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. A prohibited transaction could also occur in the event that a Benefit Plan transfers a Bond to a Party in Interest or Disqualified Person. In such case, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (**PTCE**) 96-23, regarding transactions effected by "in-house asset managers", PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts", PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional assets managers."

Any ERISA Plan fiduciary considering whether to purchase 2008 Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Internal Revenue Code to such investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Internal Revenue Code.

CONTINUING DISCLOSURE

The State will undertake, for the benefit of the beneficial owners of the 2008 Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Report**). 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. A copy of the undertaking is set forth in APPENDIX D.

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

Mail:	Department of Administration Capital Finance Office
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, 10th Floor P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	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: March 19, 2008

STATE OF WISCONSIN

/S/ JIM DOYLE
Jim Doyle
Governor

/S/ MICHAEL L. MORGAN
Michael L. Morgan
Secretary of Administration

APPENDIX A
SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture, including certain defined terms used therein, and the Second Supplemental Trust Indenture dated as of April 1, 2008 (**Second Supplemental Indenture**) pursuant to which the 2008 Bonds are issued. The summary does not purport to be complete, and reference is made to the full text of the Indenture for a complete recital of its terms, including the defined terms used therein.

Definitions of Certain Terms

2003 Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, of the State contracted by the Department pursuant to the Act and an Authorizing Certification in the aggregate original principal amount of $1,794,850,000, consisting of two Series designated Series A (Taxable Fixed Rate) **(2003 Series A Bonds)** and Series B (Taxable Auction Rate Certificates) **(2003 Series B Bonds)**.

2008 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2008, of the State contracted by the Department pursuant to the Act and Authorizing Certifications in the aggregate original principal amount of $798,120,000, consisting of two Series designated Series A (Taxable Fixed Rate) **(Series A Bonds)** and Series B (Taxable Floating Rate Notes) **(Series B Bonds)**.

Accumulated Unused Sick Leave Liability means the State's unfunded liability under sections 40.05(4)(b), (bc), and (bw) and subchapter IX of chapter 40, Wisconsin Statutes as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

Act means section 16.527 of the Wisconsin Statutes, as from time to time amended.

Additional Bonds means any Bonds authenticated and delivered upon original issuance in addition to the 2003 Bonds and 2008 Bonds as authorized pursuant to the Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Annual Appropriation Amount means, for any Fiscal Year which is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year, plus the amount in the following clause (h), and for any Fiscal Year which is the second Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (h):

(a) the amount of principal of Bonds Outstanding coming due during the Fiscal Year;

(b) the amount of principal of Bonds Outstanding to be redeemed (whether pursuant to mandatory or optional redemption provisions) during the Fiscal Year, with the amount to be redeemed pursuant to optional redemption determined based on the schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which the Additional Bonds are issued;

(c) interest to be paid during the Fiscal Year with respect to Fixed Rate Bonds Outstanding;

(d) interest that would be payable during the Fiscal Year with respect to Variable Rate Bonds Outstanding, determined at the maximum rate specified with respect thereto;

(e) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider; provided, that any payment that is determined without limit as to amount shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(f) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year except to the extent included in (a) through (e) above;

(g) estimated administrative expenses, if they will be payable from the Operating Expense Fund during the Fiscal Year; and

(h) the amount of all Swap Termination Payments which are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium which includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest to accrue on such Swap Termination Payments to the date on which they are reasonably expected to be made, provided that for interest determined based on a variable rate, interest shall be calculated at the maximum rate permitted in the Swap Agreement and if no maximum rate is specified, a rate of 15% per annum.

Appropriated Funds means (i) all amounts appropriated by law pursuant to Sections 20.505(1)(br), 20.505(1)(iq), and 20.505(1)(it), Wisconsin Statutes, or any successor provisions, from year to year with respect to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations; and (ii) any other amounts appropriated by law for payment of the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations.

Appropriations Fund means the fund by that name established pursuant to the Indenture.

Authorized Department Representative means the person identified in a written certificate which is signed by the Secretary, which contains a specimen of the Authorized Department Representative's signature and which has been delivered to the Trustee. Authorized Department Representative includes any alternate or alternates designated in the certificate in the same manner. An Authorized Department Representative or alternate may be an employee of the Department.

Authorizing Certification means a written certification of the Department pursuant to section (5)(a) of the Act, as it may be amended in accordance with the terms of the Indenture, executed by the Secretary or his or her designee and delivered to the Governor, authorizing the execution and delivery of one or more Series of Bonds.

Biennium means the two-Fiscal Year period beginning July 1 of each odd-numbered year.

Bondowner means the Registered Owner of a Bond.

Bond Counsel means legal counsel whose legal opinions on municipal bond issues are nationally recognized.

Bond Insurance Policies means, collectively, all policies of municipal bond insurance issued by the Bond Insurers insuring the Bonds.

Bond Insurers means (i) with respect to the 2003 Series A Bonds, Financial Security Assurance Inc., (ii) with respect to the 2003 Series B Bonds, XL Capital Assurance Inc., and (iii) with respect to any Series of Additional Bonds, any Person that issues a Bond Insurance Policy insuring such Series of Bonds, as identified in the applicable Supplemental Indenture. The Second Supplemental Indenture identifies Financial Security Assurance Inc. as the Bond Insurer with respect to certain of the 2008 Bonds.

Bonds means the bonds of the State issued pursuant to the Indenture, including the 2003 Bonds, the 2008 Bonds, and any further Additional Bonds.

Book Entry Form or **Book Entry System** means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry system and (ii) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Registered Owner, with the physical bond certificates immobilized in the custody of the Depository.

Budget Bill means, for any Biennium, (i) the executive budget bill or bills described under section 16.47, Wisconsin Statutes, or any successor provision thereto, introduced into either house of the legislature of the State, as introduced, (ii) the budget bill as adopted by either house of the legislature of the State, and (iii) the budget bill as approved in whole or in part by the Governor and enacted into law.

Business Day means a day which is not (i) a Saturday, Sunday or legal holiday, (ii) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office or (iii) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed. A Supplemental Indenture authorizing a Series of Additional Bonds may provide for a different definition when used with respect to such Additional Bonds.

Closing Statement means the certificate signed by an Authorized Department Representative in connection with the issuance of Bonds, containing instructions regarding the disposition of proceeds of the Bonds as required by the Indenture.

Credit Facility or **Credit Facilities** means any standby or direct pay letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy (including any Bond Insurance Policy) or other insurance commitment or other agreement or ancillary arrangement (other than a Swap Agreement), satisfactory to the State, that is provided by a commercial bank, insurance company or other entity to pay or further secure payment of debt service on Bonds or the purchase of Bonds upon tender.

Credit Facility Payment Obligations means all payment and reimbursement obligations of the State to a Credit Issuer in connection with any Credit Facility securing all or a portion of any Bonds.

Credit Issuer means the issuer of a Credit Facility, including Bond Insurers.

DTC means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York.

Debt Service Account means each Debt Service Account of the Debt Service Fund established pursuant to the Indenture.

Debt Service Fund means the fund by that name established pursuant to the Indenture.

Default means the occurrence of an event which, with the lapse of time or the giving of notice or both, is an Event of Default.

Defeasance Obligations means noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America not redeemable at the option of the State or anyone acting on its behalf prior to maturity. The Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2003 Bonds and provides that a Supplemental Indenture authorizing a Series of Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Bonds. The Second Supplemental Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2008 Bonds that are covered by the Bond Insurance Policy with respect thereto.

Department means the Department of Administration of the State.

Deposit Amount means the amount certified by the Secretary as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any amount set forth in a schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which Additional Bonds are issued), interest on Bonds, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds.

Depository means any securities depository that is a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book Entry System to record ownership of beneficial interests in the Bonds and to effect transfers of the beneficial ownership in the Bonds in Book Entry Form.

Designated Trust Office means the corporate trust office designated by the Trustee.

Event of Default has the meaning attributed to it under "SUMMARY OF THE INDENTURE; Defaults and Remedies; *Events of Default*."

Event of Nonappropriation means the insufficiency of Appropriated Funds in any Fiscal Year to pay when due all principal, redemption premium and interest on the Bonds and all Parity Swap Payment Obligations.

Fiscal Year means the 12-month fiscal period commencing on July 1 of each year and ending on June 30 of the succeeding year.

Fitch shall mean Fitch Ratings and its successors and assigns.

Fixed Rate Bonds means any Bonds, the interest rate on which is established (with no right to vary) at a single numerical rate for the remaining term of such Bonds.

Funded Interest means proceeds of the Bonds deposited with the Trustee to pay interest on Bonds or any Parity Swap Payment Obligations.

Governor means the governor of the State.

Indenture means the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

Indenture Funds means the funds created under of the Indenture and described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Establishment of Funds and Certain Accounts*."

Interest Payment Date means any date specified in the Indenture or a Supplemental Indenture for the payment of interest on Bonds.

Issuance Expenses means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the Bonds in connection with the issuance and sale of the Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel, counsel to the Trustee and counsel to the Purchaser), fees and expenses of financial advisors, feasibility consultants and accountants, rating agency fees, fees of the Trustee, printing costs, and recording expenses, fees and expenses related to any Credit Facility or Swap Agreement in connection with the Bonds, fees and costs related to exchange listings, and costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and any other fees, costs or expenses in connection with the Indenture or the Bonds as determined by an Authorized Department Representative.

Letter of Representations means, with respect to any Series of Bonds, the related Letter of Representations, if any, between the State and the Depository Trust Company.

Maximum Rate means the lesser of (i) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (ii) the maximum rate of interest permitted by the laws of the State.

Moody's means Moody's Investors Service, Inc. and its successors and assigns.

Operating Expense Fund means the fund by that name established pursuant to the Indenture.

Opinion of Bond Counsel means an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers.

Opinion of Counsel means an opinion in writing signed by legal counsel who may be an employee of or counsel to the State and who shall be satisfactory to the Trustee.

Outstanding when used with reference to Bonds means all Bonds which have been authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds or portions of Bonds after (i) payment at maturity or redemption prior to maturity (unless the Indenture or a Supplemental Indenture otherwise provides in the case of Bonds that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (ii) delivery to the Trustee by the State for cancellation pursuant to the Indenture,

(b) Bonds for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act.

(c) Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange or replacement as provided in the Indenture, and

(d) for purposes of any agreement, acceptance, approval, waiver, consent, request or other action to be taken under the Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the State.

Owner or **Registered Owner** when used with reference to a Bond means the person who is the registered owner of a Bond, except that the Indenture or a Supplemental Indenture may provide that, for certain purposes, a Credit Issuer is treated as the Owner of Bonds secured by its Credit Facility, as described under "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers."

Parity Swap Payment Obligations means Swap Payment Obligations exclusive of all Swap Termination Payments, except for Swap Termination Payments the amount of which was included in the calculation of Annual Appropriation Amount for a Fiscal Year for which a Budget Bill has been enacted (but not including appropriations continued from the prior Fiscal Year pursuant to section 20.002(1), Wisconsin Statutes).

Participant means a broker-dealer, bank or other financial institution for which DTC or a successor Depository holds Bonds from time to time as a securities depository.

Payment means the payment of part or all of the Unfunded Prior Service Liability and Accumulated Unused Sick Leave Liability.

Payment Cost means any cost of the Payment and the issuance of the Bonds, including but not limited to paying accrued or Funded Interest, Issuance Expenses, making deposits to reserve funds, paying administrative expenses, paying the costs of credit enhancement or making payments under any Swap Agreement or Credit Facility.

Payment Date means a date on which payment of a Principal Installment or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

Person means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (ii) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

Proceeds Account means the Proceeds Account of the Debt Service Fund established pursuant to the Indenture.

Purchaser means the initial purchaser of a Series of Bonds, whether one or more.

Qualified Investments means any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act or under other applicable law:

(a) direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association or any corporation chartered by an act of Congress,

(b) securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,

(c) unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,

(d) certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks and credit unions located in the State,

(e) banker's acceptances accepted by banks located in the United States,

(f) commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and

(g) any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law.

The Indenture provides further restrictions on Qualified Investments while any 2003 Bonds are Outstanding and provides that a Supplemental Indenture authorizing a Series of Bonds may include further restrictions on Qualified Investments while any Bonds of such Series are Outstanding. The Second Supplemental Indenture provides further restrictions on Qualified Investments while any 2008 Bonds that are covered the Bond Insurance Policy are outstanding.

Rating means one of the rating categories of a Rating Agency maintaining a rating of the Bonds.

Rating Agencies or **Rating Agency** means Moody's, Fitch, S&P or any other rating agency requested by the State to maintain a Rating on any of the Bonds.

Rating Confirmation means a letter from each of at least two Rating Agencies then providing a Rating for the Bonds confirming that the action proposed to be taken by the State will not, in and of itself, have the effect of reducing the underlying Rating then applicable to the Bonds or of causing any such Rating Agency to suspend or withdraw the underlying Rating then applicable to the Bonds.

Redemption Notice Information means information in a written and dated notice from the Trustee which (i) identifies the Bonds to be redeemed by the name of the issue (including the name of the State and any Series designation), CUSIP number, if any, date of issue, interest rate (for Fixed Rate Bonds), maturity date and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed, (ii) identifies the date on which the notice is published and the date on which the Bonds will be redeemed, (iii) states the price at which the Bonds will be redeemed, (iv) states that interest on the Bonds or the portions of them called for redemption will stop accruing from the redemption date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the redemption date, (v) states that payment for the Bonds will be made on the redemption date at the Designated Trust Office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part, (vi) identifies by name and phone number a representative of the Trustee who may be contacted for more information, and (vii) in the case of redemption of a Series of Bonds for which such a notice is authorized, state that such call for redemption is contingent upon the availability of Appropriated Funds to pay the Redemption Price thereof in full or upon the satisfaction of other conditions. For so long as a Series of Bonds are in a Book Entry System, Redemption Notice Information also includes the information and procedures described in the applicable Letter of Representations.

Redemption Price means with respect to any Bond, 100% of the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof.

Registered Owner's Address means the address, which a Registered Owner may change upon written request to the Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

Registration Books means books maintained by the Trustee on behalf of the State at the Designated Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange or replacement of any of the Bonds.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

Secretary means the Secretary of the Department.

Series means all Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a Series in an Authorizing Certification, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of such Bonds.

Stabilization Fund means the reserve fund by that name established pursuant to the Indenture.

Stabilization Fund Amount means (i) for so long as any 2003 Bonds remain Outstanding, $32,935,000 or such greater amount as may be deemed reasonable and designated in writing by an Authorized Department Representative, and (ii) thereafter, such amount as may be deemed reasonable and designated in writing by an Authorized Department Representative; provided that the Stabilization Fund Amount shall not be reduced unless a Rating Confirmation is obtained with respect to such reduction.

State means the State of Wisconsin.

Subordinated Payment Obligations Fund means the fund by that name established pursuant to the Indenture.

Subordinated Swap Payment Obligations means all Swap Payment Obligations payable by the State except Parity Swap Payment Obligations.

Supplemental Indenture means any trust indenture which has been duly executed and delivered by the State and the Trustee amendatory of the Indenture or supplemental to the Indenture, but only if and to the extent that such trust indenture is authorized under the Indenture.

Swap Agreement means any agreement or ancillary arrangement between the State and a Swap Provider relating to the Bonds and identified by the Department pursuant to the Indenture, including indexing agreements, interest exchange agreements or any other similar transaction.

Swap Payment Obligations means, for any period of time, all net amounts payable by the State (including Swap Termination Payments payable by the State) under any Swap Agreement.

Swap Provider means the State's counterparty under a Swap Agreement, which shall (i) have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement, or (ii) provide a guarantee as a credit support document under the Swap Agreement from a credit support provider that shall have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement and the guarantee; except the State's counterparty or counterparties (or its or their credit support provider or providers) under a Swap Agreement or Swap Agreements having an aggregate notional amount equal to no greater than 33% of the principal amount of the Bonds then Outstanding may have a rating of "A" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement (and, if applicable, the guarantee).

Swap Termination Payment means, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the State by reason or on account of the early termination of such Swap Agreement, together with any interest thereon. The term Swap Termination Payment shall not include net unpaid amounts up to the Swap Agreement termination date which would have been payable by the Swap Provider or the State, as the case may be, pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Trust Estate means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

Trustee's Expenses means the reasonable and necessary fees and expenses of the Trustee with respect to the Indenture or the Bonds and those for any legal, accounting, financial or other experts reasonably retained by the Trustee. Trustee's Expenses also include the fees, charges and expenses of any additional paying agent for the Bonds.

Unfunded Prior Service Liability means the State's unfunded prior service liability under section 40.05(2)(b), Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

U.S. Government Obligations means obligations which are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

Variable Rate Bonds means any Bonds which bear a variable interest rate or rates that are not established at the time of calculation at a single numerical rate for the remaining term of such Bonds.

The Bonds

Limitation

The sum of the aggregate principal amount of Bonds issued under the Indenture may not exceed the limit set forth in the Act.

Deposit of Bond Proceeds to Funds and Accounts

Initial deposits will be made from proceeds of a Series of Bonds into the funds and accounts created under the Indenture as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement shall specify the purchase price of the Bonds, and shall further specify, with respect to that amount:

(a) the amount representing accrued interest, if any, on the Bonds to be deposited in the Proceeds Account;

(b) the amount representing Funded Interest to be deposited in the Proceeds Account; and

(c) the amount, if any, to be deposited in any other fund or account as provided in the Closing Statement.

The Closing Statement shall further specify the application of such monies.

Issuance of Additional Bonds

The State reserves the right to issue one or more Series of Additional Bonds under the Indenture from time to time, with a charge or lien equal to the charge and lien applicable with respect to the 2003 Bonds and the 2008 Bonds, provided that:

(i) the aggregate amount of Bonds issued may not exceed the amount authorized by the Act, and

(ii) the proceeds of such Additional Bonds may be used only to pay the Payment or Payment Costs or to fund or refund Bonds issued for that purpose.

For each Series of Additional Bonds, the Department shall provide a separate Authorizing Certification authorizing a Supplemental Indenture and setting forth the aggregate principal amount of Additional Bonds authorized thereby, the manner of their sale, and the form and other terms thereof.

Prior to the delivery by the State of any of the Additional Bonds there must be filed with the Trustee: (i) a Supplemental Indenture executed on behalf of the State by the Department and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale; (ii) a copy of the Authorizing Certification executed by the Secretary or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds, (iii) a request and authorization to the Trustee by the Department on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds and (iv) evidence of a Rating Confirmation.

General Terms and Provisions of Bonds

Liability of the State Subject to Annual Appropriation

The Bonds, Swap Payment Obligations and Credit Facility Payment Obligations together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriated Funds consist principally of amounts which are subject to annual appropriation by the legislature of the State. The Bonds, Swap Payment Obligations and Credit Facility Payment Obligations are a valid claim of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Bonds. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Registration, Transfer and Exchange of Bonds

The 2003 Bonds have been issued, and the 2008 Bonds will be issued, only in Book Entry Form unless and until the Book Entry System is discontinued. In such event, the following provisions would apply.

The Trustee is appointed, and accepts its appointment as, (i) the bond registrar of the State for the purpose of registering, transferring, exchanging and replacing Bonds and (ii) the paying agent for all Bonds. The Trustee agrees to keep the Registration Books. At reasonable times and under reasonable regulations established by the Trustee, the Registration Books may be inspected and copied by the State or the Registered Owner(s) of 25% or more in principal amount of the Bonds then Outstanding or a designated representative of any of them, the ownership and the authority of any designated representative to be evidenced to the satisfaction of the Trustee.

Any Bond may be transferred upon its presentation at the Designated Trust Office of the Trustee if it has been duly endorsed for transfer or is accompanied by a written instrument of transfer satisfactory to the Trustee which has been executed by the Registered Owner. The Trustee will transfer any Bond so presented by making an appropriate entry in the Registration Books and delivering to the transferee(s) one or more new Bonds which have been executed by the State, have been authenticated by the Trustee, are in an authorized denomination and have the same form, terms, interest rate, maturity and aggregate principal amount and are of the same Series as the Bond being transferred.

Bonds of a Series may be exchanged for Bonds of the same Series by surrendering the Bonds to be exchanged at the Designated Trust Office of the Trustee. The Trustee will exchange any Bond so presented by making an appropriate entry in the Registration Books and delivering to the Registered Owner presenting the Bonds for exchange one or more new Bonds which have been executed by the State, have been authenticated by the Trustee, are in an authorized denomination and have the same form, terms, interest rate, maturity and aggregate principal amount as the Bond being exchanged.

The Registered Owner requesting any transfer or exchange of any Bonds must pay, as a condition to the transfer or exchange, any resulting tax or other governmental charge but may not otherwise be charged for an exchange or transfer.

The Trustee is not required to register, transfer, exchange or replace any Bonds (i) during the 10-day period immediately preceding the first mailing or publication of a notice of redemption with respect to any Bonds of such maturity and Series or (ii) after a Bond has been called for redemption.

Registered Owners Treated as Owners

Except as the Indenture or a Supplemental Indenture may otherwise provide with respect to a Credit Issuer as described under "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers," the State and the Trustee may treat the Registered Owner of any Bond as its absolute owner (whether or not the Bond is overdue) for all purposes. Neither the State nor the Trustee is affected by any notice to the contrary.

Multi-Modal Provisions

The Indenture provides that Variable Rate Bonds may be issued in a form that allows for the interest rate to be converted among a variety of interest rate modes (that is, the manner and frequency of determination of the interest rate), and may provide for optional and mandatory tender of those Bonds by the Owners for purchase in certain circumstances, including upon conversion from one such interest rate mode to another. Certain interest rate modes would require the delivery of a liquidity facility to provide a source of payment of the tender price in connection with any such option or mandatory tender for purchase.

General Covenants

Payment of Principal and Interest, Swap Payment Obligations and Credit Facility Payment Obligations

The State represents, warrants and covenants that so long as any of the Bonds are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit in the Appropriations Fund, but solely from the Appropriated Funds, amounts sufficient to promptly pay the principal of, premium, if any, and interest on the Outstanding Bonds and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

Performance of Duties under the Indenture and the Bonds

The State represents, warrants and covenants that it will perform its obligations under the Indenture, any Bonds executed, authenticated and delivered under the Indenture and all of its proceedings relating to the issuance of the Bonds. The State further represents, warrants and covenants that it is duly authorized under the Constitution and laws of the State, including without limitation the Act, by and through the Department, to issue the Bonds, to execute the Indenture and to pledge and assign the property described in the Indenture in the manner and to the extent set forth in the Indenture. The State represents that all action on the part of the State and the Department for the issuance of the Bonds and the execution and delivery of the Indenture have been effectively taken and the Bonds in the hands of the Registered Owners, the Swap Payment Obligations and Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department according to the terms of the Indenture, the Bonds (where applicable) and the Act.

Nonimpairment

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the legislature of the State, the State represents, warrants and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Bondowners, any Swap Provider or any Credit Issuer under the Indenture, the Bonds, a Swap Agreement or any agreement relating to a Credit Facility. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the legislature of the State, the State will not limit or alter its powers to fulfill the terms of any agreements made with Bondowners or in any way impair the rights and remedies of Bondowners until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Bondowners are fully met and discharged.

Budget Process and Appropriations

The State directs the appropriate officers or directors of the Department to take all appropriate actions within their power to assure that the Annual Appropriation Amounts with respect to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations are annually appropriated. The Secretary or his designee shall:

(a) while any Bonds are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under section 16.42, Wisconsin Statutes, for each Fiscal Year (beginning with 2006) includes the Annual Appropriation Amount relating to such Bonds, Swap Payment Obligations and Credit Facility Payment Obligations in that Fiscal Year;

(b) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the legislature of the State, stating the nature of the deficiency and requesting action to ensure the satisfaction of the State's moral obligation;

(c) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, each Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking an amendment to such Budget Bill or, if such a Budget Bill is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill authorizing the necessary or additional appropriation required;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, each Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer; and

(f) in the event a Swap Termination Payment becomes due, and there are insufficient funds available from Appropriated Funds under the Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill authorizing an additional appropriation.

In the event the Secretary exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, whereby the Secretary establishes a priority schedule for payments, the Secretary covenants to give payment of the Outstanding Bonds, the Swap Payment Obligations and the Credit Facility Payment Obligations the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary certify that the Secretary has performed his obligations under the Indenture described above under clause (a) of "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*," to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer, in the event that the Secretary fails to include in the budget requests prepared under section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount relating to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations in that Fiscal Year;

(b) Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer, in the event that a Budget Bill at any time fails to include the Annual Appropriation Amount; or

(c) Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer, in the event of an Event of Nonappropriation.

Event of Default

The State covenants that should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, with the Registered Owners, with the Swap Providers and with the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers and the Credit Issuers.

Appropriated Funds and Funds and Accounts

Establishment of Funds and Certain Accounts

The Indenture creates and establishes with the Trustee the following funds:

(1) the Appropriations Fund,

(2) the Operating Expense Fund,

(3) the Debt Service Fund,

(4) the Subordinated Payment Obligations Fund, and

(5) the Stabilization Fund.

The Indenture also establishes in the Debt Service Fund a Debt Service Account for each Series of Bonds and each Swap Agreement, and a Proceeds Account. Sinking fund accounts for any Series of Bonds having sinking fund installments may be established within the Debt Service Account for such Series in any schedule to the Indenture or in a Supplemental Indenture.

The Indenture provides that any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Bonds), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (i) to the Stabilization Fund, or (ii) to the State, as directed in writing by an Authorized Department Representative.

Deposits into and Use of Monies in the Appropriations Fund

On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to section 20.505(1)(br), Wisconsin Statutes, or any successor provision thereto. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount up to the Deposit Amount that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to section 20.002(1), Wisconsin Statutes, and on the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, provided that the total paid to the Trustee shall not exceed the Deposit Amount.

No later than thirty days following the enactment of any separate bill or bills providing for an appropriation available for the payment of the Bonds, Swap Payment Obligations and/or Credit Facility Obligations, for payment of issuance or administrative expenses, or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund amounts appropriated thereby.

No later than thirty days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment which is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

Any amounts appropriated pursuant to section 20.505(1)(it), Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement shall be transferred, immediately upon receipt by the State, to the Trustee for deposit in the Appropriations Fund.

At any time during each Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.

The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the Indenture Funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.

The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Stabilization Fund.*"

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred by the State or by any Swap Provider pursuant to the terms of a Swap Agreement to the Trustee. The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but as to each Indenture Fund only within the limitations in the Indenture below indicated with respect thereto:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date and the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Account;

THIRD: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FOURTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30 of each Fiscal Year. On May 1 of each year, beginning May 1, 2009, the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts and the Subordinated Payment Obligations Fund which will not be needed for the purposes thereof for the balance of that Fiscal Year as reasonably determined by the State, and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to any amount set forth in a schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which Additional Bonds are issued, to the optional redemption of the Additional Bonds. To the extent that any such scheduled amount of optional redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining scheduled amounts of optional redemptions on a prorated basis rounded to the nearest authorized denomination of the applicable Series of Bonds, and any schedule or formula for such Series of Bonds set forth in the related Supplemental Indenture shall be modified accordingly.

Use of Monies in the Debt Service Fund

The Trustee shall withdraw from the applicable Debt Service Account of the Debt Service Fund and the Proceeds Account on or prior to each Payment Date an amount equal to:

(a) The unpaid interest due on the Bonds on each such Payment Date, and shall cause the same to be applied to the payment of said interest when due.

(b) The amount of each Parity Swap Payment Obligation due on such Payment Date and shall cause the same to be paid to the applicable Swap Provider (provided that any Swap Termination Payment which is a Parity Swap Payment Obligation will be paid no later than thirty days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

(c) The Principal Installment of such Bonds due on such Payment Date and shall cause the same to be applied to the payment of the Principal Installment of such Bonds when due.

(d) The principal due upon optional redemption of such Bonds on such Payment Date and shall cause the same to be applied to the payment of such principal when due, provided that, prior to distributing notice of any such optional redemption (other than scheduled optional redemption described in "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in Appropriations Fund*"), an Authorized Department Representative has certified that the total of (i) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Account which are expected to be needed in future Fiscal Years)**,** and (ii) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation).

Prior to the Payment Date of a Principal Installment, any amounts then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited or to the purchase of Bonds of the Series and maturity for which such Principal Installment was established in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. All purchases of Bonds pursuant to this paragraph of the Indenture shall be made at prices not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

If for any reason a Debt Service Account shall contain excess monies after a Payment Date, such excess may be held in that Debt Service Account as a credit against the requirements of that Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account or returned to the Appropriations Fund, as the State shall direct.

The Trustee shall, if the State so directs, transfer monies in the Proceeds Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein, provided that any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such monies will not be needed to pay interest on the Bonds and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to debt service on the Bonds being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being defeased; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the Indenture as described under "SUMMARY OF THE INDENTURE; Discharge of Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, and except as described under "SUMMARY OF THE INDENTURE; Defaults and Remedies; *Application of Funds*" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another (and without regard to the deposit of amounts in a particular Debt Service Account). Notwithstanding anything in the Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with its appropriation.

Use of Monies in the Subordinated Payment Obligations Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year (but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year), or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (i) the monies on deposit in the Debt Service Fund and (ii) the amounts remaining under the appropriation made for that Fiscal Year pursuant to section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), then (c) the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Use of Monies in the Stabilization Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. Throughout each Fiscal Year until June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of the Fiscal Year, the State may, at its option, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, provided that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year.

On the first Business Day of each Fiscal Year, the State may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above as directed by the State.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being defeased, all or any portion of the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Bonds; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the Indenture as described under "SUMMARY OF THE INDENTURE; Discharge of Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Bonds.

Use of Monies in the Operating Expense Fund

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations.

Payments to the State

Any amounts remaining in the Appropriations Fund or any other funds or accounts established under the Indenture after payment of all Bonds, Swap Payment Obligations and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the Indenture which permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the Indenture and are not subject to any lien, attachment, garnishment or other claims or proceedings by other creditors of the State or any third party.

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Investments made with money on deposit in the Indenture Funds may be made by the Trustee through its own bank investment department and:

(a) will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used,

(b) will be held by or under the control of the Trustee,

(c) will at all times be considered a part of the Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made,

(d) will have any loss attributable to them charged to the Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made, and

(e) in all other cases, will have any interest or profit derived from them retained in the Indenture Fund (and in the case of the Debt Service Fund, the account therein) from which the investment was made.

The Trustee shall not be responsible or liable for any loss resulting from such investment, except to the extent caused by its negligence or willful default.

Discharge of Indenture

The Indenture and the estate and rights granted by it ceases, determines and is void if:

(a) the State has performed all of its obligations under the Indenture and the applicable Bond Purchase Agreement,

(b) all Trustee's Expenses and the expenses of any other paying agent which have accrued and will accrue through the final payment of the Bonds have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Bonds has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying or causing to be paid, when due, the principal of, premium, if any, and interest on all Outstanding Bonds,

(2) by irrevocably depositing with the Trustee, in trust for such purpose, at or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all Outstanding Bonds including unpaid interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Bonds, or

(4) by depositing with the Trustee, in trust, Defeasance Obligations that mature in an amount that will, together with the income or increment to accrue on them but without reinvestment, be sufficient to pay or redeem (when redeemable) all Bonds at or before their respective maturity dates, including interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(d) a notice of redemption which includes the Redemption Notice Information and which is not contingent upon satisfaction of any condition has been given as required by the Indenture if any of the Bonds are to be redeemed before their maturity or if a notice of redemption cannot then be given as provided in the Indenture, then the State has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to provide a notice of redemption which includes the Redemption Notice Information to the Registered Owners of any Bonds to be redeemed when a notice of redemption can be timely given under the Indenture,

(e) if the payment of the Bonds has been provided for under (c)(2) or (c)(4) above, the Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the Indenture will not adversely affect the validity of any Bonds and (ii) has given notice to the Registered Owners of the Bonds at the Registered Owner's Address to the Trustee of the actions taken under subsection (c) above,

(f) if the payment of the Bonds has been provided for under (c)(4) above, an opinion from an independent certified public accountant to the effect that the funds available or to be available in the escrow for the payment of the Bonds will be sufficient to pay the principal of, premium, if any, and interest on the Bonds, and

(g) any additional requirements set forth in the Indenture or a Supplemental Indenture with respect to the applicable Series of Bonds have been satisfied.

On the occurrence of the events described in (a) through (g) above, the Trustee is authorized and directed to:

(1) execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the Indenture, and

(2) assign and deliver to the Department any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, premium, if any, and interest on any Bonds).

Notwithstanding any other provision of the Indenture which may be contrary to the provisions set forth above, all money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the Indenture for the payment of the principal of, premium, if any, and interest on Bonds will be applied to and used solely for the payment of the principal of, premium, if any, and interest on the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the Indenture which are not needed for the payment of the principal of, premium, if any, or interest on the Bonds is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bonds.

Notwithstanding a discharge of the Indenture as provided in clause (c)(2) or (c)(4) above, resulting in the Owners of Bonds having a claim for the payment of their Bonds solely from the cash and securities so set aside, the Indenture will continue to govern the method of making payments of principal and interest on the Bonds, the registration, transfer and exchange of Bonds, the circumstances under which the Bonds may be redeemed and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the Indenture:

(a) failure to pay when due the principal of (whether at maturity, upon redemption or otherwise), or premium, if any, or interest on any Bonds or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(b) failure to pay as required by the terms of the Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(c) failure to pay when due the tender price on any Bond upon mandatory or optional tender for purchase as provided in the Indenture, except to the extent that such failure is due to an insufficiency of appropriated funds to make such payment with respect to any Bonds for which there is no liquidity facility; or

(d) the State defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, the Indenture or any Supplemental Indenture on the part of the State to be performed and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Owners of at least 25% of the aggregate principal amount of any Series of Bonds then Outstanding that it do so, provided that if the default is one which can be remedied but cannot be remedied within that thirty-day period, the Trustee may grant an extension of the thirty-day period if the State institutes corrective action within that thirty-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the Indenture or the Bonds, any Swap Payment Obligations or any Credit Facility Payment Obligations, (ii) to enforce performance of any obligation, agreement or covenant of the State under the Indenture or the Bonds, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Bonds or of the grantor of any other collateral given to secure the payment of any Bonds or (iii) to otherwise enforce any of its rights; provided, however, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

None of the remedies under the Indenture is exclusive of any other remedy or remedies. Each remedy given under the Indenture is cumulative and is in addition to every other remedy which is given or which now or hereafter exists at law, in equity or by statute.

No delay or omission in the exercise of any right or power accruing upon an Event of Default impairs the right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default extends to or affects any subsequent or other Event of Default or impairs any rights or remedies consequent thereon.

Nothing in the Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as the Indenture or a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Bondowners, the Owners of the Bonds have the right to direct the exercise of any rights or remedies under the Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture. The Indenture provides that, so long as the applicable Bond Insurer is not in default under its Bond Insurance Policy, it will be treated as the Owner of the 2003 Bonds for all purposes of declaring defaults, directing remedies, and dealing with the Trustee under the Indenture. A Supplemental Indenture authorizing the issuance of a Series of Additional Bonds may provide for a Credit Issuer to have such rights with respect to a Series of Bonds entitled to the benefits of its Credit Facility. The Second Supplemental Indenture provides that, so

long as it is not in default under its Bond Insurance Policy, Financial Security Assurance Inc. will be treated as the Owner of the 2008 Bonds that are covered by the Bond Insurance Policy for all purposes of declaring defaults, directing remedies, and dealing with the Trustee under the Indenture.
See "Summary of the Indenture; Certain Rights of Credit Issuers."

The directions of the Owners of Bonds are to be: (i) contained in a request which is signed by the Owners of at least a majority of the aggregate principal amount of each series of Bonds then Outstanding and delivered to the Trustee, (ii) in accordance with law and the provisions of the Indenture, and (iii) accompanied with indemnification of the Trustee as is provided in the Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will be applied as follows:

FIRST: To the payment of (i) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (ii) any Trustee's Expenses.

SECOND: To the payment of interest, principal and premium, if any, then due on the Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of Article 9 of the Indenture) and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal and premium, if any and Parity Swap Payment Obligations then due ratably, and, if the amount available is not sufficient to pay in full interest, principal, premium and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

THIRD: Subject to the provisions of the Indenture described in "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund*," to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date then to their payment ratably, according to the amount due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of any of the Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be a Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any monies derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

All rights of action (including the right to file proofs of claim) under the Indenture or under any Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production of them in any trial or other proceeding relating to them. Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Bonds, the Swap Providers and the Credit Issuers in accordance with the terms of the Indenture.

Rights and Remedies of the Bondowners

No Bondowner, Swap Provider or Credit Issuer has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture, for the execution of any trust created under the Indenture, for the appointment of a receiver or any other remedy, unless

(a) an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture or of which the Trustee is deemed to have notice by the terms of the Indenture,

(b) the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute an action, suit or proceeding in its own name,

(c) the Trustee has been offered indemnity as provided in the Indenture and

(d) the Trustee thereafter fails or refuses to exercise the powers granted in the Indenture or to institute an action, suit or proceeding in its own name.

No Bondowner, Swap Provider or Credit Issuer has any right to affect, disturb or prejudice the security of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the Indenture for the equal and ratable benefit of all the Bondowners, Swap Providers or Credit Issuers in accordance with the priority provided in the Indenture. Nothing in the Indenture, however, affects or impairs the right of Bondowners, Swap Providers or Credit Issuers to enforce the payment of the principal of, premium, if any, and interest on any Bonds, Swap Payment Obligations or Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture, Swap Payment Obligations or Credit Facility Payment Obligations, respectively, to Bondowners, Swap Providers and Credit Issuers, respectively, at the time and place, from the source and in the manner expressed in the Indenture and the Bonds (if applicable).

Waivers of Events of Default

The Trustee may waive any Event of Default under the Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of all Bonds then outstanding in respect of which the failure to pay the principal of, premium, if any, or interest on which has resulted in an Event of Default or of the Owners of a majority in principal amount of each Series of Bonds then Outstanding in the case of any other Event of Default. Notwithstanding the preceding sentence, the Trustee may not waive any Event of Default in the payment of the principal of, premium, if any, or interest on any Bond unless prior to the waiver all arrears of principal, premium, if any, and interest on the Bonds for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for.

The Trustee

Acceptance of the Trusts

The Trustee accepts and agrees to perform the duties of the Trustee under the Indenture upon the terms and conditions set forth therein.

Trustee's Expenses and Indemnification

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, but only upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien with right to payment prior to payment on account of the principal of, premium, if any, and interest on any Bond, any Swap Payment Obligation and any Credit Facility Payment Obligations upon the Trust Estate and any other collateral securing the Bond, any Swap Payment Obligation and any Credit Facility Payment Obligation for the payment of the Trustee's Expenses. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture.

Notice to Owners of Bonds if an Event of Default or an Event of Nonappropriation Occurs

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the Owners of all Bonds then Outstanding at the Registered Owner's Addresses.

Intervention by Trustee

The Trustee may, and upon receipt of a request to do so from the Owners of a majority of the principal amount of Bonds then Outstanding and upon indemnity being provided as required by the Indenture must, intervene on behalf of the Owners of Bonds in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners of Bonds. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee may be consolidated, (iii) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole or (iv) resulting from a conversion, sale, merger, consolidation or transfer to which the Trustee is a party becomes successor Trustee under the Indenture and is vested with all of the title to the Trust Estate and the Trustee's interest in the Indenture and all the trusts, powers, discretions, immunities, privileges and all other matters as its predecessor was without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

The Trustee and any successor Trustee may at any time resign from the trusts the Indenture created by giving 30 days written notice by registered or certified mail to the State and the Registered Owners. A resignation takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

The Trustee may be removed at any time without cause (i) at the direction of the State (so long as no Default or Event of Default under the Indenture has occurred, whether or not continuing) or (ii) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee and the State. A removal takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court or otherwise becomes incapable of acting under the Indenture, a successor may be appointed by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding. In case of a vacancy the State by an instrument executed and signed by an Authorized Department Representative in accordance with applicable law may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Owners of Bonds in the manner described above. Any temporary Trustee appointed by the State immediately and without further act is superseded by the Trustee appointed by the Owners of Bonds. Every Trustee so appointed must be a trust company or a bank in good standing having a reported capital and surplus of not less than $10,000,000 or having assets under administration of not less than $200,000,000 if there is an institution willing, qualified and able to accept the trust upon reasonable and customary terms and have the qualifications required by the Act.

Concerning Any Successor Trustee; Successor Trustee as Trustee of Funds, Paying Agent and Registrar

Every successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its predecessor and to the State an instrument in writing accepting its appointment under the Indenture and thereupon the successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor. Its predecessor agrees, nevertheless, on the written request of the State or of its successor, to execute and deliver an instrument transferring to its successor all the estates, properties, rights, powers and trusts of the predecessor under the Indenture. Every predecessor Trustee agrees it will deliver to its successor all securities, money, investments and other property held by it in any Indenture Fund, a list of all checks or other fund transfers which the Trustee has issued or made but which have not been paid on the date the successor trustee becomes the Trustee under the Indenture, a copy of the Registration Books certified by the Trustee to be correct, executed originals of all letters of credit, policies of bond insurance or other Credit Facilities relating to the Bonds, all printed but unissued Bonds, all Bonds in the Trustee's possession which are to be but have not been destroyed, executed originals of all indemnity bonds relating to the Bonds, a list of all stop transfer orders held by the Trustee and such other documents and information as the successor trustee reasonably requests. If any instrument in writing from the State is required by any successor Trustee for more definitely and certainly vesting in the successor the estate, rights, powers, and duties vested or intended to be vested in the predecessor the State agrees to execute, acknowledge and deliver any and all requested instruments in writing on request. The instrument appointing a successor under the Indenture will be filed and/or recorded by the successor Trustee in each filing or recording office where any document providing collateral security for the Indenture has been filed and/or recorded.

In the event the Trustee is changed the predecessor Trustee which has resigned or been removed ceases to be trustee of the Indenture Funds and bond registrar and paying agent for principal of, premium, if any, and interest on the Bonds and the successor Trustee becomes the Trustee, the bond registrar and paying agent.

Trust Estate May Be Vested in Separate or Co-Trustee

It is the intent of the State and the Trustee that the Indenture not violate the law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in that jurisdiction. It is recognized that in case of litigation under the

Indenture, and in particular in case of the enforcement on an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted to it under the Indenture or hold title to the Trust Estate or take any other action which may be desirable or necessary in connection therewith, it may be necessary for the Trustee to appoint an additional individual or institution as a separate or co-trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers

The State and the Trustee may, without the consent of or notice to the Bondowners or Swap Providers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the Indenture in order to:

(a) provide for the issuance of Additional Bonds;

(b) cure any ambiguity or formal defect or omission in the Indenture;

(c) grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee provided that such amendment does not adversely affect the rights or interests of any Swap Provider;

(d) subject to the Indenture additional revenues, properties or collateral; or

(e) supplement the Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners or any Swap Provider.

Supplemental Indentures Requiring the Consent of the Bondowners and Swap Providers

In addition to Supplemental Indentures described above under "SUMMARY OF THE INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers*," the State and the Trustee, with the prior written consent of the Owners of a majority of the aggregate principal amount of each series of Bonds then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture. No Supplemental Indenture, however, may permit (i) an extension of the stated maturity or reduction in the principal amount of, reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of or a reduction in the amount or extension of the time for any payment required by any sinking fund or principal fund applicable to any Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, (ii) the creation of any lien prior to or, except in connection with the issuance of Additional Bonds, on a parity with the lien of the Indenture, without the consent of the Owners of all Bonds at the time Outstanding, or (iii) a reduction in the aggregate principal amount of Bonds the Owners of which are required to consent to any Supplemental Indenture without the consent of the Owners of all Bonds at the time Outstanding which would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee agrees, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Bonds at the Registered Owner's Address subject, for so long as the Bonds are in Book Entry System, to the applicable Letter of Representations. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Bond. If, within sixty days or any longer period as is prescribed by the State following the mailing of the notice, consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions of the Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the Indenture, the Indenture is modified and amended in accordance with it.

The Second Supplemental Indenture provides that the Owners of the 2008 Bonds shall be deemed to have consented to any future Supplemental Indenture that (a) reduces the Stabilization Fund Amount to an amount not less than that set forth in clause (ii) of the definition of such term under "SUMMARY OF THE INDENTURE; Definitions of Certain Terms," or (b) provides that the consent of Owners of a Series of Bonds is not needed to authorize a Supplemental Indenture that does not affect the Owners of such Series.

Certain Rights of Credit Issuers

The Indenture provides that, so long as the Credit Issuer with respect to a Series of Bonds is not in default under its Credit Facility, the Credit Issuer may have certain rights, including the rights: (i) to be subrogated to the rights of the Owners of Bonds of such Series that are paid by its Credit Facility, and to have those Bonds continue to be treated as Outstanding under the Indenture; (ii) to be treated as the Owner of the Bonds of such Series for such purposes as the Supplemental Indenture may provide (including for purposes of directing the exercise of remedies under the Indenture); (iii) to limit the future issuance of Additional Bonds; and (iv) to prohibit Supplemental Indentures without its consent. The 2003 Series A Bonds are insured under a Bond Insurance Policy issued by Financial Security Assurance Inc., and the 2003 Series B Bonds are insured under a Bond Insurance Policy issued by XL Capital Assurance Inc., each of which has been granted certain of the rights described above with respect to the 2003 Series A Bonds. The Second Supplemental Indenture grants Financial Security Assurance Inc. those rights with respect to the 2008 Bonds covered by the Bond Insurance Policy.

Miscellaneous

Consent of Bondowners

Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed by Bondowners may be in any number of concurrent writings of similar tenor. Proof of the execution of any consent, request, direction, approval, objection or other instrument is sufficient for any of the purposes of the Indenture, and is conclusive in favor of the Trustee with regard to any action taken by it, if it contains or is accompanied by (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (ii) an affidavit of any witness to the execution. The ownership of Bonds and the amount, series, numbers and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Notices

Unless provided to the contrary in the Indenture, all notices, certificates or other communications under the Indenture are deemed given when delivered or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the Indenture.

Obligations Due on Saturdays, Sundays or Holidays.

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (i) a Supplemental Indenture authorizing a Series of Additional Bonds may provide that interest on such Additional Bonds continues to accrue to the date of actual payment, and (ii) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

APPENDIX B
INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin **(State)** and general obligations issued by the State, contained in Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 **(2007 Annual Report)**, which can be obtained as described below. This Appendix also includes changes or additions to the information presented in Part II of the 2007 Annual Report.

The additional information includes the following:

- Projected General Fund tax collections for the 2007-09 biennium and the effect on the General Fund balance at the end of the 2007-09 biennium, as outlined in the February 13, 2008 memorandum of the Legislative Fiscal Bureau **(LFB)**, which is included as part of this Appendix.
- Projected and actual General Fund cash flows, as of January 31, 2008.

Part II of the 2007 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 2006-07
- 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 2007 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2007, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the independent auditor's report provided by the State Auditor.

The 2007 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 2007 Annual Report may also be obtained from:

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

After publication and filing of the 2007 Annual Report, certain changes or events have occurred that affect items discussed in the 2007 Annual Report. Listed below, by reference to particular sections of

Part II of the 2007 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 be notices that do not describe listed material events under the State's Master Agreement on Continuing Disclosure.

Budget for 2007-08 and 2008-09 Fiscal Years (Part II; Pages 26-27). Add the following new section:

Budget Adjustment Bill

Based on the projections included in the February 13, 2008 LFB memorandum the Secretary of Administration made a determination on March 5, 2008 that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues and notified the Governor and Legislature.

In response to this determination, the Governor issued an executive order convening a special session of the Legislature on March 13, 2008 to consider and act upon legislation relating to the projected budget shortfall. A budget adjustment bill and amendments thereto have been introduced in the Legislature to address the budget shortfall.

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature has done, including for the 2007-09 biennium) and also requires that if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take action to balance the budget in the succeeding fiscal year.

February 2008 General Fund Revenue Projections - LFB

On February 13, 2008, LFB released projections of General Fund tax collections for the 2007-09 biennium. These projections differ adversely from the projections of General Fund tax collections that were made in January 2007 and used in preparing the State's 2007-09 biennial budget (2007 Wisconsin Act 20). For the 2007-09 biennium, the LFB memorandum projected:

- A decrease of $240 million in estimated individual income tax collections.
- A decrease of $284 million in estimated general sale and use tax collections.
- A decrease of $124 million in estimated corporate income and franchise tax collections.

The LFB memorandum identified two administrative actions that the Secretary of Administration completed before the release of the LFB memorandum. These actions reduced the potential deficit by approximately $236 million for the 2007-09 biennium.

Taking into account the actions already completed by the Secretary of Administration, the LFB memorandum included an updated General Fund condition statement, which projected a gross ending General Fund balance for the end of the current fiscal year (June 30, 2008) of negative $77 million, and for the end of the current biennium (June 30, 2009) of negative $351 million, not including the statutory required reserve. With respect to the projected gross ending balance for the end of the current biennium, the amount is approximately $419 million less than the balance included in the enacted budget for the 2007-09 biennium.

The following table reflects the estimated General Fund condition statement for the 2007-08 and 2008-09 fiscal years, as included in the February 13, 2008 LFB memorandum. The following table also includes, for comparison, the estimated General Fund condition statements for the enacted budget for the 2007-09 biennium.

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

	2007-08 Fiscal Year		2008-09 Fiscal Year	
	2007 Act 20	February 13, 2008 LFB Memorandum	2007 Act 20	February 13, 2008 LFB Memorandum
Revenues				
Opening Balance	$ 66.3	$ 66.3	$ 67.0	$ (76.9)
Taxes	13,100.1	12,868.3	13,626.2	13,271.5
Department Revenues				
Tribal Gaming	96.7	96.7	46.3	46.3
Other	428.2	467.1	435.0	472.2
Total Available	13,691.4	13,489.4	14,174.5	13,713.1
Appropriations				
Gross Appropriations	13,824.0	13,780.8	14,212.1	14,171.6
Compensation Reserves	62.8	62.8	156.6	156.6
Less: Lapses	(262.4)	(268.3)	(262.0)	(264.3)
Net Appropriations	13,624.4	13,575.3	14,106.8	14,063.9
Balances				
Gross Balance	67.0	(76.9)	67.7	(350.9)
Less: Required Statutory Balance	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ 2.0	$ (141.9)	$ 2.7	$ (415.9)

The February 13, 2008 LFB memorandum identified other items that may impact the projections and information presented in such memorandum. These items include the following, which have been previously discussed in the 2007 Annual Report:

- Budgetary assumptions related to payment of amounts due in previous fiscal years from a tribal government, pursuant to amended gaming compacts in calendar year 2003.
- Litigation from calendar year 2007 related to the transfer of certain amounts from the State's Patient and Families Compensation Fund to the Medical Assistance Trust Fund.
- The Supreme Court's consideration of an appeal from the State of Wisconsin related to the taxability of computer software.

Additional details can be found in the complete copy of the LFB memorandum, which appears on the pages B-4 to B-19 of this Official Statement.

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State of Wisconsin

February 13, 2008

Senator Mark Miller, Senate Chair
Representative Kitty Rhoades, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Miller and Representative Rhoades:

On January 24, 2008, I sent a letter to you that discussed preliminary information regarding general fund tax revenue estimates for the remainder of the 2007-09 biennium. In that letter, I noted that the December, 2007, tax collection report was considerably weaker than in previous months and thought that it would be prudent to wait until February before issuing our analysis of the condition of the general fund. This would allow us to examine sales taxes paid on purchases during the Christmas shopping season and determine if the weak December report was an anomaly or a trend in collections. It would also provide the opportunity to review the February economic forecast and more recent data on a variety of factors, including the potential effect of interest rate decisions by the Federal Reserve Board and the federal economic stimulus plan.

We have now completed our review. Unfortunately, the January, 2008, collections report and the February forecast both point to further weakness in general fund tax collections.

Based upon our analysis, we project the closing net general fund balance at the end of the biennium to be -$652.3 million. This is prior to decisions made by the Department of Administration (DOA) on February 12, 2008 (described below). The -$652.3 million is $655.0 million below the $2.7 million ending balance that was indicated upon enactment of the state's 2007-09 biennial budget (2007 Act 20).

The $655.0 million is the net result of a decrease in estimated tax collections of $586.5 million, a decrease in departmental revenues of $34.9 million (primarily due to lower interest earnings), and an increase in net expenditures (laws enacted after Act 20, sum sufficient appropriation reestimates, and lapse reestimates) of $33.6 million.

Yesterday, DOA announced two administrative actions aimed at reducing the magnitude of the potential deficit.

In a memorandum to state agency heads dated February 12, 2008, the Secretary of DOA indicated that the Department is taking two actions relating to state agency spending. First, the previously announced allocation of lapses to meet the required $200 million lapse provision under Act 20 will be modified by DOA, so that the entire $200 million will accrue from segregated funds or program revenue accounts. Second, acting under s.16.50 of the statutes, DOA will require GPR-funded agencies to lapse the $106 million previously identified as part of the $200 million lapse under Act 20, as well as an additional $5 million in 2008-09. The effect of these actions will be to improve the general fund's balance by $53 million in 2007-08 and $58 million in 2008-09 compared to the estimates used under Act 20.

The administration also indicates that it will use its existing authority to roll over short-term general obligation borrowing that otherwise would have been paid off in 2007-08 and 2008-09. This action will reduce GPR debt service expenditures by an estimated $63.6 million in 2007-08 and $61.8 million in 2008-09 compared to estimated GPR debt service under Act 20.

These two decisions of the administration are projected to reduce the $652.3 million deficit by a biennial total of $236.4 million to $415.9 million.

The following table reflects the estimated 2007-09 general fund condition statement, which incorporates the revenue and expenditure estimates of this letter and the February 12 actions of the administration.

TABLE 1

2007-09 General Fund Condition Statement

	2007-08	2008-09
Revenues		
Opening Balance, July 1	$66,288,000*	-$76,860,200
Estimated Taxes	12,868,300,000	13,271,500,000
Departmental Revenues		
Tribal Gaming Revenues	96,731,600	46,250,700
Other	467,103,700	472,175,900
Total Available	$13,498,423,300	$13,713,066,400
Appropriations and Reserves		
Gross Appropriations	$13,780,810,400	$14,171,612,500
Compensation Reserves	62,759,600	156,617,900
Less Lapses	-268,286,500	-264,286,400
Net Appropriations	$13,575,283,500	$14,063,944,000
Balances		
Gross Balance	-$76,860,200	-$350,877,600
Less Required Statutory Balance	-65,000,000	-65,000,000
Net Balance, June 30	-$141,860,200	-$415,877,600

*In addition, $55.6 million of the 2006-07 ending balance has been transferred to the budget stabilization fund pursuant to s. 16.518 of the statutes.

There are three items that deserve mention which could impact the figures shown in Table 1. Those items are discussed below.

First, the 2007-09 tribal gaming revenues shown in Table 1 ($96,731,600 in 2007-08 and $46,250,700 in 2008-09) include certain state payments under the Ho-Chunk Nation's 2003 gaming compact amendments. Under the amendments, the Ho-Chunk Nation was to provide certain lump-sum payments to the state in 2003-04 and 2004-05 and payments based on a percent of net casino win in subsequent years. The general fund revenue from tribal gaming indicated in Table 1 assumes the Ho-Chunk will pay, in 2007-08, the lump-sum payment of $30 million originally due in 2004-05, as well as percent-of-net-win payments associated with 2005-06 and 2006-07 casino earnings. In 2008-09, the general fund revenue amount assumes the Ho-Chunk will make a percent-of-net-win payment associated with its 2007-08 casino earnings. However, the timing of any Ho-Chunk payments may be affected by the outcome of litigation, currently pending in the federal court for the Western District of Wisconsin, relating to a dispute between the state and the Ho-Chunk Nation. It is unclear at this time how or when the disputed issues will be resolved.

Second, 2007 Act 20 authorized the transfer of $71.5 million SEG in 2007-08 and $128.5 million SEG in 2008-09 from the injured patients and families compensation fund (IPFCF) to the medical assistance trust fund (MATF), and increased SEG funding from the MATF and reduced GPR funding for MA benefits by corresponding amounts. In response to the Act 20 directive, the Department of Administration has made the 2007-08 transfer.

On October 29, 2007, the Wisconsin Medical Society filed an action in Dane County Circuit Court seeking, among other things, to permanently enjoin the transfer of monies out of the IPFCF, the immediate return to the IPFCF of all monies so transferred, along with lost earnings, and the recovery of the Medical Society's attorneys' fees and costs. The lawsuit remains pending and its ultimate impact on the state's finances, including the MATF, cannot be predicted at this time.

Finally, the tax revenue estimates shown in Table 1 do not include the potential effect of a decision issued by the Court of Appeals on January 25, 2007, in the case Wisconsin Department of Revenue v. Menasha Corporation, with respect to the taxability of computer software. Under state law, while prewritten computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are exempt. In 1998, Menasha Corporation filed a refund claim with the Department of Revenue (DOR) for sales taxes paid on certain computer software that the company believed was custom software. DOR denied the refund claim, and Menasha Corporation appealed to the Tax Appeals Commission, which decided in favor of Menasha Corporation on December 1, 2003. The decision broadened the DOR interpretation of what computer software is to be considered nontaxable custom software. The case was appealed to the Circuit Court, which reversed the Tax Appeals Commission decision on October 26, 2004, and ruled that DOR was correct in collecting sales tax on the computer software in question. Menasha Corporation appealed the Circuit Court's decision to the Court of Appeals, which decided in favor of Menasha Corporation. DOR has appealed the Appeals Court decision, and the Supreme Court agreed to hear the case. Oral arguments were presented in late 2007 and a ruling is expected this spring.

Subsequent to the Appeals Court decision, DOR had estimated the fiscal effect of a final decision in favor of Menasha Corporation as a reduction in state sales tax revenues of approximately $28 million annually. In addition, the Department estimated related refund requests associated with years prior to 2007-08 of up to $221 million. Assuming that the final decision will be made closer to the end of 2007-08, and based on the Department's methodology, this estimate should be updated to approximately $265 million associated with refunds for years prior to 2008-09.

Generally, the statutes authorize claims for refunds to be filed for up to four years from the unextended due date of the claimant's income tax return for the year to which the claim relates. However, longer periods may apply under certain conditions, such as audits or protective claims for refunds. The Department's estimate of the cost of refund requests associated with Menasha Corporation is based on the assumption that refund claims will be filed for 50% of potential claims for 1999 through 2002 and 80% of potential claims for 2003 through the time of final determination of the case. Actual refund requests could be higher or lower than the Department's estimate. Assuming that a final determination of the case would be made prior to the end of 2007-08 or early in 2008-09, the Department expects that most refunds would be paid in the current biennium.

Given the uncertainty of the final determination of the case, the sales tax estimates shown above for the 2007-09 biennium do not incorporate the potential effect of the decision. However, should the Appeals Court decision represent the final determination of the case, it is projected that general fund revenues would be reduced by up to approximately $293 million prior to the end of the 2007-09 biennium ($265 million for refunds for fiscal years through 2007-08 and $28 million associated with computer software sales during 2008-09). While both the precise magnitude and timing of the fiscal effect are uncertain, the $293 million total is based on DOR's expectations for the combined effect of refunds and annual costs through the end of the biennium.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2007-09 biennium, including a discussion of the national economic forecast for 2008 and 2009 and general fund tax revenue projections for fiscal years 2007-08 and 2008-09.

National Economic Forecast. This office first prepared revenue estimates for the 2007-09 biennium in January, 2007, based on the January, 2007, forecast of the U.S. economy by Global Insight, Inc. At that time, positive economic growth was expected to continue in 2007, 2008, and 2009, although at a slower pace than that of 2006. The primary risks to the forecast were that the economy's excess production capacity was less than estimated and that foreign investors would diversify from the dollar in response to the large U.S. trade deficit, which would lead to an acceleration in inflation and interest rates and a lower level of economic growth.

In June, 2007, this office revised its fiscal year 2006-07 revenue estimates upward by $49 million (approximately 0.4%). The revision was based primarily on actual collections through May, 2007. However, because the more recent economic forecasts were somewhat weaker than the January, 2007, forecast, the estimates for 2007-08 and 2008-09 were not increased. Actual collections for 2006-07 exceeded the June estimates by an additional $22 million. However, individual income tax collections in 2006-07 were artificially high by approximately $75 million due to delays in paying refunds for tax year 2006 until 2007-08.

Despite considerable weakness in the housing market, high energy prices, and significant disruptions to credit markets, the economy continued to expand throughout 2007. After a sluggish first quarter of 0.6% real (inflation-adjusted) growth in gross domestic product (GDP), the second and third quarters showed real growth rates of 3.8% and 4.9%, respectively. However, it is believed that the economy slowed dramatically in the fourth quarter, with 0.6% real GDP growth. The slowdown in the fourth quarter reflects an accelerated decline in residential construction, slower consumption growth, and reduced growth in inventories following an unusually high accumulation in the third quarter. For the entire year, nominal (current-dollar) GDP growth is estimated at 4.9% and real growth is estimated at 2.2%. The nominal growth rate is 0.5% higher than projected last January, while the real growth rate is 0.1% lower. This discrepancy reflects a higher rate of inflation than was estimated last January, primarily due to increased prices for fuel.

The labor market was resilient in 2007. Personal income grew by an estimated 6.2% in 2007, compared to last January's estimate of 5.1%, which reflected higher than anticipated growth in both jobs and wages. The unemployment rate for 2007 is now estimated at 4.6%, compared to last January's estimate of 4.9%. The employment and income growth led to higher consumption expenditures, which increased by an estimated at 5.5%, compared to last January's projection of 4.7%. As anticipated, growth in corporate profits slowed significantly from the double-digit increases seen during 2002 through 2006. Growth in pre-tax profits in 2007 is now estimated at 4.2%, which is twice the rate of growth forecast last January.

As described above, by most measures, the economy performed better in 2007 than was anticipated last January, due to strength in the second and third quarters. However, as noted, growth slowed significantly in the fourth quarter, and the current (February, 2008) forecast assumes that the economy has begun to contract. Global Insight believes that the U.S. economy has entered into a recessionary phase that will last through the first half of this year. Real GDP growth is estimated at -0.4% in the first quarter and -0.5% in the second quarter. Positive growth is expected to resume in the third quarter of 2008, in part due to the effects of interest rate cuts and the federal stimulus package. Third-quarter growth is estimated at 3.4% and fourth-quarter growth is estimated at 2.7%. Significantly slower growth (0.7%) is expected in the first quarter of 2009 as the boost to consumer spending from the federal tax rebates diminishes. Real GDP growth is estimated at approximately 3% over the remainder of 2009.

For all of 2008 and 2009, the current forecast expects reduced levels of production, employment, income, profits, and consumption expenditures compared to last year's forecast. Nominal GDP growth is now estimated at 3.6% in 2008 and 4.0% in 2009, compared to last

January's estimates of 5.2% and 5.5%, respectively. Real GDP growth is now estimated at 1.4% in 2008 and 2.2% in 2009, compared to the previous forecast of 3.2% and 3.4%. As in recent months, the main areas of concern going forward are the housing and credit markets and high energy prices. However, new information regarding consumption expenditures, profits, and employment indicates a broader downturn has begun.

After increasing rapidly for several years, housing starts peaked at 2.1 million units in 2005, and then declined by 12.6% (to 1.8 million units) in 2006 and an estimated 25.8% (to 1.3 million units) in 2007. The forecast expects another significant decline in 2008, followed by a strong rebound in 2009. Housing starts are estimated at 0.9 million units in 2008 (a decrease of 33.0% from 2007) and 1.2 million units in 2009 (an increase of 31.1%). Sales of new and existing homes are expected to exhibit a similar pattern, with decreases of 9.5% in 2006, 14.6% in 2007, and 19.5% in 2008, followed by an increase of 10.2% in 2009. The recent declines in housing activity reflect high inventory levels and prices, along with reduced availability of credit. In addition, compared to historical trends, much of the demand for housing in 2004 and 2005 was from investors who did not intend to use the home as a primary residence. These former purchasers have now become sellers of homes, which has contributed to the imbalanced housing market.

The forecast expects housing activity to bottom out in the first half of 2008 and then begin to rebound as the excess inventory is sold off, interest rates decrease, and affordability improves as housing prices decline. Nationwide, housing prices (as measured by the constant-quality price index) decreased by 0.2% in 2007 and are expected to decrease by 5.1% in 2008 and 1.7% in 2009. Beginning in 2010, modest price increases are expected to resume. Median and average prices of new and existing homes are also expected to continue declining at least through 2009. All of these measures of housing activity have been revised downward since last January. As discussed later, a key risk to the baseline forecast is that the housing market will deteriorate further.

Closely tied to the housing market are the credit markets, which experienced significant uncertainty and financial losses during 2007, primarily due to weakness in subprime mortgage loans. In recent years, relaxed lending standards by banks and other lenders have allowed more families to become homeowners and to purchase homes that previously had been beyond their means. These loans often were made with small or no down-payments, and low initial interest rates, which would later adjust upward to reflect market rates. As housing price appreciation slowed and interest rates reset, delinquencies and foreclosures began to rise dramatically, leading to large losses by lenders and by investors who had purchased mortgage-backed securities. Toward the end of 2007, there was also a significant increase in delinquencies on prime-rate mortgages, auto loans, and credit card debt. In response, lending standards have been tightened and there has been a "flight to quality" as investors increased their purchases of less risky assets such as U.S. Treasury securities.

Since last September, the Federal Reserve Board has cut the federal funds rate five times by a total of 225 basis points (from 5.25% to 3.0%). The most recent rate cuts occurred on January 22nd (75 basis points) and January 30th (50 basis points). The January 22nd reduction followed an international stock sell-off based, in part, on fears of a U.S. recession. However, market rates on corporate bonds, mortgage loans, and other types of private-sector debt have not fallen by the same amounts due to increased risk-aversion by lenders. The forecast anticipates that the Federal Reserve will continue to cut rates in order to prevent or mitigate a recession. Specifically, it is expected that the federal funds rate will be reduced by an additional 100 basis points (to 2.0%) by the end of April, 2008, where it will remain through the rest of the year. It is expected that rates will be increased slightly beginning in the first quarter of 2009. Other interest rates are expected to fall by approximately 40 to 70 basis points over the next seven months and then begin rising slowly in the fourth quarter of 2008.

On February 7th, Congress approved a $168 billion economic stimulus package, which included tax rebates for individuals and tax reductions for businesses. As of this writing, the President has not signed the bill, but it is expected that he will do so this week. The plan will provide rebate checks of up to $600 for individuals and up to $1,200 for married couples, with an additional payment of $300 per child and a minimum payment of $300 for individuals who pay less than that amount in federal income taxes. The rebates will be phased out for higher-income taxpayers (individuals with incomes of at least $75,000 and married couples with incomes of at least $150,000). It is anticipated that the Treasury Department will begin distributing the checks in early May after federal income tax returns have been processed. The plan will also allow businesses to depreciate equipment purchases more quickly and increase the amount of capital expenses that small businesses can immediately deduct for tax purposes. The legislation will also increase the loan limits for Fannie Mae, Freddie Mac, and the Federal Housing Administration.

The stimulus package is very similar to, but somewhat larger than, what was assumed by Global Insight in the February forecast (a total package of approximately $150 billion). As noted, it is anticipated that the rebate checks will result in increased consumer spending in the second half of 2008 (6.5% growth in the third quarter and 3.9% growth in the fourth quarter compared to rates of 3.0% and 1.2% in the first and second quarters, respectively). Lower growth rates are expected in the first part of 2009 as the impact of the rebates fades. Global Insight believes that the business tax provisions will affect the timing of certain investments but not have a significant impact on overall economic growth.

After falling in the last quarter of 2006 and first quarter of 2007, oil prices again increased significantly during the remainder of 2007 and early 2008. Crude oil prices had receded to an average of $58 per barrel during the first quarter of 2007, but then rose to approximately $100 per barrel early this year (close to the inflation-adjusted record price of $102.81 per barrel in April, 1980). Prices have since receded to between $90 and $95 per barrel. Global Insight believes that the recent high oil prices reflect temporary geopolitical events and speculation, rather than fundamental supply and demand, and that the slowing economy will result in reduced demand for oil and lower prices in the coming months. Oil prices are expected to decline to approximately $73 per barrel by the fourth quarter of 2008, and then remain between $70 and $75 per barrel throughout the rest of that year and 2009.

As with crude oil, gasoline prices also rose significantly in 2007, from a national average price of $2.43 per gallon in the first quarter to $3.01 per gallon in the fourth quarter. Prices are expected to remain at approximately $3.00 per gallon in the first half of this year and then begin falling in the third quarter. The U.S. average price is expected to be between $2.60 and $2.80 per gallon in the fourth quarter of 2008 and in 2009. However, even with the anticipated decreases later this year, oil and gasoline prices are expected to be significantly higher than in last January's forecast. Natural gas prices are expected to increase by approximately 11.1% during 2008 and 10.2% in 2009. A significant risk to the baseline forecast is that the recent high oil prices will be sustained because they are more reflective of ongoing supply difficulties than speculative buying.

The overall consumer price index (CPI) increased by 2.9% in 2007, primarily due to rising prices for oil and other energy commodities. The CPI for energy commodities rose by 8.2%. Lower levels of inflation are forecast for 2008 and 2009 as the economy slows and oil prices fall. The overall CPI is now estimated at 2.5% in 2008 and 1.6% in 2009. The 2007 figure exceeded last January's forecast by 1.1%; the estimates for 2008 and 2009 are very close to last year's projections. Food prices also rose faster than overall inflation in 2007, with an increase of 4.0%. Food price inflation is estimated at 4.1% in 2008 and 2.1% in 2009. Inflation would be significantly higher (2.9% in 2008 and 3.1% in 2009) if oil prices do not fall as assumed in the baseline forecast.

As noted, personal income growth is estimated at 6.2% in 2007, which is 1.1% above last January's forecast of 5.1%. The higher rate of growth reflects a higher level of both jobs and wages. Other major sources of personal income (farm income, dividends, interest, and transfer payments) also exceeded expectations in 2007. Non-farm proprietors' income was lower than forecast. Personal income growth is now projected to be 4.1% in 2008 and 4.4% in 2009. These growth rates are lower than last January's forecast by 1.4% and 1.8%, respectively. Reduced rates of growth are expected for most components of personal income as overall economic growth slows.

Employment growth is estimated at 1.1% in 2007, which is slightly higher than the 1.0% growth projected last January. However, the projections for 2008 and 2009 have been reduced since last January's forecast. The current forecast anticipates employment growth of 0.3% in 2008 and 0.7% in 2009, compared to the previous estimates of 1.3% and 1.6%. Relative to last January, lower employment growth is expected for nearly all sectors of the economy, with particular weakness in construction jobs. Consistent with the jobs numbers, the unemployment rate is now projected to be higher than estimated last January. The current forecast is for an unemployment rate of 5.3% in 2008 and 5.6% in 2009, compared with last January's projection of 4.9% and 4.6%, respectively.

The forecast for personal consumption expenditures shows a similar pattern, with higher than anticipated growth in 2007, but a less optimistic forecast for 2008 and 2009. Consumption expenditures increased by an estimated 5.5% in 2007, compared to last year's estimate of 4.7%. As in recent years, areas of strength were concentrated in items that are generally not subject to the state sales tax, such as food (6.1% growth), gasoline (6.1%), heating fuel (16.6%), and services (6.0%). Purchases of items that are generally taxable grew more slowly. Sales of motor vehicles and parts increased by 1.6% and sales of other durable goods increased by 3.8%. Sales of nondurable goods, excluding food and fuel, increased by 4.1%.

Overall consumption growth is expected to slow to 4.1% in 2008 and 3.8% in 2009 due to lower personal income growth, tighter credit, and continued weakness in the housing market. The growth rate in 2008 would be even lower if the federal stimulus package had not been approved. As in 2007, higher rates of growth are forecast for food and services. However, due to falling prices, sales of gasoline are expected to show only a modest increase in 2008 and a small decrease in 2009. Sales of motor vehicles and parts are expected to be especially weak in 2008, with a decrease of 4.9%. However, a 4.9% increase is estimated for 2009 as employment and overall economic growth improve. Sales of other durable goods are forecast to rise by 0.5% in 2008 and fall by 0.4% in 2009, while sales of nondurable goods (excluding food and fuel) are expected to increase by 2.9% in 2008 and 3.7% in 2009.

Exports have been an area of strength for the U.S. economy in recent years and are expected to continue showing considerable growth in 2008 and 2009. Without the assumption of strong export growth, the baseline forecast would anticipate a longer and deeper recession. Exports increased by double-digit growth rates in each year from 2004 through 2007. An important factor in this growth has been the reduced value of the dollar relative to the currencies of the nation's major trading partners (more than 30% since early 2002), which makes U.S. products more affordable in foreign markets. In addition, the economies of Asian nations and other trading partners have experienced relatively robust growth. Export growth is estimated at 11.6% in 2008 and 8.6% in 2009, as the dollar continues to weaken throughout the first three quarters of this year before rising in the fourth quarter and stabilizing in 2009. Despite strong export growth, the U.S. trade deficit rose each year between 2002 and 2006. This occurred primarily due to increased imports of consumer goods and oil. As oil prices moderate and U.S. exports of other goods and services continue to show strong growth, it is expected that the trade deficit will decrease in 2008 and 2009.

After double-digit increases in 2005 and 2006, growth in business investment spending moderated to 6.1% in 2007, but was still an area of relative strength for the economy. Spending on nonresidential structures was particularly strong in 2007, with growth of 16.8%. However, investment in software and equipment was much weaker, with 1.7% growth. The forecast anticipates a significant slowdown in business investment as credit markets tighten and overall demand slows. Total business investment is expected to increase by 1.9% in 2008 and decrease by 0.2% in 2009. Investment in structures is expected to grow by 2.9% in 2008 and decrease by 9.5% in 2009, while investment in equipment and software is expected to increase by 1.4% and 4.3%, respectively.

The federal stimulus package will allow a first-year "bonus depreciation" deduction equal to 50% of the adjusted basis of qualified property placed into service during 2008 (the applicable time period is extended through 2009 for certain types of property). In addition, the stimulus package will increase the amount of investment that may be immediately expensed by small businesses (section 179 property) from $128,000 to $250,000, beginning in tax year 2008.

Under current law, the $128,000 amount is reduced by the amount by which the cost of the qualifying property exceeds $510,000. The new federal provisions will increase the $510,000 threshold to $800,000.

Global Insight does not expect the federal bonus depreciation and expensing provisions to have a significant impact on business investment. In effect, the bonus depreciation amounts to an interest-free loan from the government because the beneficial cash-flow impact is reversed in later years. The forecast assumes that business spending will be more influenced by weakening demand than by the federal tax changes, although it is believed that some investments will be moved forward from early 2009 to 2008 before the new provisions expire. As discussed below, the new provisions will result in a significant decrease in before-tax book profits in 2008 and a an offsetting increase in 2009.

Following several very strong years, growth in corporate profits slowed to 4.2% in 2007. Pre-tax book profits are expected to fall by 14.8% in 2008 and increase by 20.9% in 2009. However, these growth rates are distorted by the expensing and depreciation provisions of the federal stimulus package. Economic profits, which are not affected by federal tax law changes, grew by 3.1% in 2007 and are estimated to increase by 0.2% in 2008 and 3.4% in 2009. The double-digit growth rates of recent years were driven in large part by productivity gains, which slowed considerably in 2007. The lower levels of profits also reflect continued weakness in housing-related businesses, large losses in the financial sector, high oil prices, and a general reduction in demand for goods and services as the economy slows.

Global Insight has also prepared two alternative forecasts, one more optimistic and one more pessimistic than the baseline forecast. In the optimistic scenario, productivity growth, business investment, and foreign economic growth are all stronger than under the baseline forecast, and energy prices are lower. These factors lead to lower inflation and to increased domestic production, investment, and housing starts. The federal budget deficit is also lower than under the baseline forecast due to stronger revenue growth and reduced expenditures for transfer payments. Under this alternative forecast, which is assigned a probability of 25%, there is no recession in 2008 and, compared to the baseline forecast, real GDP growth is higher by 0.8% in that year and in 2009.

The pessimistic alternative (also 25% probability) assumes a deeper contraction in the housing market and higher oil prices than under the baseline forecast. Housing starts and prices are significantly lower, which leads to reduced consumption expenditures. In turn, the lower consumer demand leads to reduced production and investment by businesses. Under this scenario, employment drops for five consecutive quarters and industrial production falls for seven quarters. Real GDP declines in the first two quarters of 2008, then rebounds slightly in the second half (less than 1% growth), before decreasing again in the first quarter of 2009. Real GDP growth is estimated at -0.1% in 2008 and 0.4% in 2009, compared to the baseline estimates of 1.4% and 2.2%, respectively. The pessimistic scenario in last January's forecast, which had a probability of 20%, called for a lower level of economic growth but no recession in 2007 through 2009.

Table 2 shows a summary of national economic indicators drawn from the February, 2008, forecast by Global Insight.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc., February, 2008
($ in Billions)

	2006	2007	2008	2009
Nominal Gross Domestic Product	$13,194.7	$13,843.0	$14,335.2	$14,902.5
Percent Change	6.1%	4.9%	3.6%	4.0%
Real Gross Domestic Product	11,319.4	11,567.3	11,724.3	11,978.4
Percent Change	2.9%	2.2%	1.4%	2.2%
Consumer Price Index	3.2%	2.9%	2.5%	1.6%
Personal Income	10,983.4	11,667.3	12,144.7	12,676.3
Percent Change	6.6%	6.2%	4.1%	4.4%
Personal Consumption	9,224.5	9,732.0	10,128.0	10,511.3
Percent Change	5.9%	5.5%	4.1%	3.8%
Economic Profits	1,553.7	1,601.9	1,604.8	1,659.7
Percent Change	13.2%	3.1%	0.2%	3.4%
Unemployment Rate	4.6%	4.6%	5.3%	5.6%

General Fund Tax Projections. Table 3 shows our revised general fund tax revenue estimates for the 2007-09 biennium. The estimates are based on the February, 2008, forecast of the U.S. economy by Global Insight, and incorporate all of the tax law changes included in Act 20.

TABLE 3

Projected General Fund Tax Collections
($ Millions)

Source	2006-07 Actual	Budget Estimates (Act 20) 2007-08	Budget Estimates (Act 20) 2008-09	Revised Estimates February 2008 2007-08	Revised Estimates February 2008 2008-09
Individual Income	$6,573.8	$6,758.8	$7,105.5	$6,660.0	$6,965.0
General Sales and Use	4,158.6	4,310.0	4,479.4	4,210.0	4,295.0
Corporate Income & Franchise	890.1	887.8	860.3	810.0	815.0
Public Utility	284.9	297.2	314.4	295.6	316.2
Excise					
Cigarette	296.1	456.5	531.0	448.9	523.7
Liquor and Wine	42.7	42.5	43.0	42.5	43.0
Tobacco Products	17.5	28.9	41.2	28.9	41.2
Beer	9.5	9.4	9.4	9.4	9.4
Insurance Company	141.4	141.0	144.0	150.0	160.0
Estate	121.1	95.0	25.0	140.0	30.0
Miscellaneous Taxes	82.2	73.0	73.0	73.0	73.0
Total	$12,617.9	$13,100.1	$13,626.2	$12,868.3	$13,271.5
Change from Prior Year					
Amount		$482.2	$526.1	$250.4	$403.2
Percent Change		3.8%	4.0%	2.0%	3.1%

As shown in Table 3, general fund tax revenues are estimated to total $12,868.3 million in 2007-08 and $13,271.5 million in 2008-09. These amounts are lower than the Act 20 estimates by $231.8 million in the first year and $354.7 million in the second year, for a total decrease of $586.5 million. The estimates for the three major taxes (individual income, general sales and use, and corporate income and franchise) have all been revised downward significantly. The cigarette tax estimates have also been decreased, while the estimates for the estate tax and insurance company taxes have been increased.

Individual Income Tax. State individual income tax revenues were $6,573.8 million in 2006-07 and are currently estimated at $6,660.0 million in 2007-08 and $6,965.0 million in 2008-09. The current estimates are lower than the Act 20 estimates by $98.8 million in the first year and $140.5 million in the second year. The current estimates reflect growth of 1.3% for 2007-08 and 4.6% for 2008-09. It should be noted that the growth rate for 2007-08 is affected by a delay that occurred in the payment of approximately $75 million in individual income tax refunds for the 2006 tax year from 2006-07 to 2007-08. As a result of the delay, collections for 2006-07 were artificially high and collections in 2007-08 will be, correspondingly, artificially low. In addition, the growth rates for both years are affected by a number of law changes, primarily the implementation of the 100% income tax exclusion for social security benefits starting in 2008. In the absence of the refund delay and the effects of the law changes, growth in individual income tax revenues would be estimated at 4.6% for 2007-08 and 4.5% for 2008-09.

Based on preliminary collections information through January, 2008, individual income tax revenues for the current fiscal year are 3.1% higher than such revenues through the same period in 2006-07. However, if the additional $75 million in refunds for tax year 2006 had not been paid in 2007-08, then collections for this fiscal year through January would be 5.1% higher than the previous year. Based on the delay in refunds and law changes referred to above, as well as the forecast reduction in personal income growth in 2008, growth in collections is expected to slow during the remaining months of the fiscal year, resulting in the projections described above for actual growth in 2007-08 of 1.3% and adjusted growth of 4.6%.

General Sales and Use Tax. In 2006-07, state sales and use tax collections were $4,158.6 million, which was a 0.8% increase over the prior year. State sales and use tax revenues are currently estimated at $4,210.0 million in 2007-08 and $4,295.0 million in 2008-09, which represent growth of 1.2% in the first year and 2.0% in the second year. These estimates are $100.0 million lower in the first year and $184.4 million lower in the second year than the Act 20 estimates of $4,310.0 million in 2007-08 and $4,479.4 million in 2008-09. The reductions in the estimates are based, in part, on 1.5% growth in sales and use tax collections year-to-date through January, 2008, and in part on the most recent forecast of growth in taxable personal consumption expenditures. As previously noted, the estimates do not include the impact of the Court of Appeals decision in the Menasha Corporation case.

Corporate Income and Franchise Tax. Corporate income and franchise taxes were $890.1 million in 2006-07. Collections are projected to be $810.0 million in 2007-08 and $815.0 million in 2008-09. These amounts represent an annual decrease of 9.0% in 2007-08, and a slight increase of 0.6% in 2008-09. The new estimates are lower than the Act 20 estimates by $77.8 million in the first year and $45.3 million in the second year.

The new estimates reflect decreased year-to-date corporate income and franchise tax collections, which were 9.3% lower through January, 2008. The lower collections mirror the slowdown in the U. S. economy. Decreasing consumption expenditures, business investment, and industrial production are depressing corporate earnings, as the effect of the housing recession and credit restrictions spread through the economy. However, exports are projected to be a significant contributor to corporate sales and profits over the forecast period. Economic profits are forecast to increase by 0.2% in 2008, before rebounding somewhat to increase by 3.4% in 2009.

The corporate income and franchise tax estimates have been adjusted to reflect the effect of certain law changes, including the phase-in of single-sales factor apportionment, repeal of the manufacturers' sales tax credit, enactment of new tax credits, such as the dairy investment, dairy manufacturing facility, Internet equipment, Health Insurance Risk-Sharing Plan assessments, and ethanol and biodiesel fuel pump tax credits, and for the collection of back taxes from banks.

Public Utility Taxes. Public utility tax revenues were $284.9 million in 2006-07, and are currently projected at $295.6 million in 2007-08 and $316.2 million in 2008-09. Relative to the Act 20 estimates, these figures are lower than the 2007-08 estimate by $1.6 million but higher than the 2008-09 estimate by $1.8 million. Utility tax collections are currently expected to increase by 3.8% in 2007-08 and by 7.0% in 2008-09, rather than by 4.3% in 2007-08 and 5.8% in 2008-09, as had been estimated under Act 20.

Excise Tax Revenues. General fund excise taxes are imposed on cigarettes, other tobacco products, liquor (including wine and hard cider), and beer. Total excise tax revenues were $365.8 million in 2006-07. Under Act 20, total excise tax revenues were reestimated at $537.3 million in 2007-08 and $624.6 million in 2008-09, to reflect the Act 20 increases in the tax rates on cigarettes and other tobacco products as well as additional modifications to taxes on other tobacco products, which took effect January 1, 2008.

Data is not yet available to reflect the actual impact of the cigarette and other tobacco products tax law changes under Act 20. However, while the January, 2007, estimates of cigarette tax revenues under prior law had assumed a slight increase in revenues, collections through December, 2007, had decreased by 1.25% compared to the prior year. Based on the reduced collections through December, 2007, and the current forecast for slower growth in personal income and personal consumption expenditures, it is now anticipated that cigarette tax revenues will be lower than the Act 20 estimates by $7.6 million in 2007-08 and $7.3 million 2008-09.

No changes are projected from the Act 20 estimates for the remaining excise taxes. Therefore, excise tax revenues are currently estimated at $529.7 million in 2007-08 and $617.3 million in 2008-09.

Insurance Premiums Taxes. Insurance premium taxes were $141.4 million in 2006-07. Premiums tax collections are projected to be $150.0 million in 2007-08 and $160.0 million in 2008-09. The projected increase in 2007-08 is primarily based on year-to-date monthly premiums tax collections, which are 4.6 % higher through January, 2008, and expected increased premiums in response to lower investment income. The estimated increase in 2008-09 reflects expected continued growth in insurance premiums. The new estimates exceed the Act 20 estimates by $9.0 million in 2007-08 and $16.0 million in 2008-09.

Estate Tax. In 2006-07, state estate tax revenues were $121.1 million. Under Act 20, estate taxes were estimated at $95.0 million in 2007-08 and $25.0 million in 2008-09. However, based on collections to date in 2007-08, estate taxes are reestimated at $140.0 million in 2007-08 and $30.0 million in 2008-09. The revised estimates are $45.0 million higher in 2007-08 and $5.0 million higher in 2008-09 than the Act 20 estimates.

The significant reduction in the estimates for 2008-09 under both Act 20 and the current revision is the result of statutory provisions that effectively eliminated the state estate tax for deaths on or after January 1, 2008. Such provisions specify that, for deaths on or after January 1, 2008, the state estate tax is based on a federal credit for state death taxes paid under federal estate tax law. However, current federal law does not provide such a credit, which is the reason that the state estate tax is eliminated. It should be noted, however, that the relevant federal provisions are scheduled to sunset on December 31, 2010. As a result, in the absence of a federal law change, Wisconsin's estate tax will again apply with respect to estates of decedents dying after December 31, 2010.

Estate taxes are typically paid nine months after the date of death. Therefore, it is expected that the state will receive estate tax revenues through September, 2008, for deaths occurring in the last nine months of 2007.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, municipal and circuit court-related fees, and a small amount from the occupational tax on coal. Miscellaneous tax revenues were $82.2 million in 2006-07, and are estimated at $73.0 million in both 2007-08 and in 2008-09. These estimates are unchanged from the Act 20 estimates.

Approximately 85% of miscellaneous tax revenues are from the real estate transfer fee (RETF). State RETF collections, which have fluctuated along with the strength of the housing market in recent years, reached a peak of $80.6 million in 2005-06 before declining to $71.7 million in 2006-07. RETF revenues are estimated to further decline to $62.5 million in 2007-08 before stabilizing at that level in 2008-09.

Transportation Fund

In addition to the discussion of the condition of the state's general fund, the following information is provided on the condition of the transportation fund.

Typically, the Department of Transportation, in cooperation with this office, prepares revised estimates of the transportation fund condition each spring. This year, the Department expects to produce this estimate in early April, utilizing February economic forecasts from Global Insight, Inc., as well as other, state-specific forecasts developed by the Department of Revenue. Of particular interest for this estimate will be the impact on transportation fund revenue collections of the economic downturn that has affected general fund revenue collections. Although it is still too early to fully evaluate the precise magnitude of the impact, based on preliminary indications, including actual collections through the first six months of the biennium, it appears that the transportation fund could have a biennium-ending deficit of as much as $25 million to $40 million.

The primary area of concern for transportation fund collections is vehicle registration and titling. The Act 20 revenue estimates were based on projections made in the spring of 2007, covering the three-year period from 2006-07 through 2008-09. Actual collections of vehicle registration revenue for 2006-07, however, were lower than the projections by $16.0 million. Although these reductions were offset in that year by higher collections in other areas, including motor fuel taxes, the relative weakness of vehicle registration revenue, particularly from heavy trucks, appears to have continued into the 2007-09 biennium.

Motor fuel tax collections, which are the other major component of transportation fund revenues, appear, through the first six months of the biennium, to be close to budget projections.

The Joint Committee on Finance may have two opportunities in the coming months to address any projected transportation fund deficit. First, under current law, the Department of Transportation is required to submit a plan to the Co-Chairs to allocate additional federal highway aid among its appropriations if the amount of aid received in a given federal fiscal year is greater than the amounts estimated in the state budget by 5% or more. Last week, the Federal Highway Administration notified the Department that the state will receive $718.3 million in federal fiscal year 2008, an amount that exceeds budget estimates by $76.2 million, or 11.9%. In addition, the state received an additional $23.4 million in federal fiscal year 2007 funds for expenditure in state fiscal year 2007-08, for a total of $99.6 million in additional funds. Under the statutory provision that requires the Department to submit a plan allocating these additional funds, the plan may adjust any DOT appropriation. Consequently, the plan could be used to reduce certain SEG appropriations to eliminate a projected deficit. In considering the Department's plan, the Committee may approve or modify and approve the adjustments, including any adjustments to the Department's SEG appropriations.

In addition to being required to submit a plan to make adjustments to allocate additional federal aid, a provision of Act 20 requires the Department to develop a plan to eliminate a projected deficit by reducing SEG appropriations whenever the deficit is projected to exceed $30 million. If the Department's spring estimate indicates that the deficit triggers this requirement, the Department will be required to submit a plan to the Committee. As with the federal funds allocation plan, the Committee may approve or modify and approve the plan.

We will continue to monitor economic forecasts, revenues, and expenditures and keep you informed of any modifications that may be necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II; Pages 36-44).

The following tables provide updates and additions to various tables containing General Fund information for the 2007-08 fiscal year, which are presented on either a cash basis or agency recorded basis. The projections and estimates in the following tables, unless noted, reflect the projected General Fund revenues released by LFB on February 13, 2008. The tables contain information through January 31, 2008.

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.

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 39). Replace with the following updated table:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2007 TO JANUARY 31, 2008
PROJECT GENERAL FUND CASH FLOW; FEBRUARY 1, 2008 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	$ 1,417,676	$ 1,131,328	$ 446,854	$ 1,364,065	$ 1,090,479	$ (292,141)	$ 185,180	$ 253,708
Ending Balance [(c)]	349,749	638,780	723,620	1,417,676	1,131,328	446,854	1,364,065	1,090,479	(292,141)	185,180	253,708	(470,485)
Lowest Daily Balance [(c)]	39,257	(441)	159,554	606,183	783,121	(285,238)	435,780	861,190	(292,141)	(469,757)	34,516	(974,026)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 682,211	$ 500,798	$ 651,858	$ 695,206	$ 521,419	$ 459,790	$ 1,112,129	$ 525,368	$ 515,028	$ 980,299	$ 516,321	$ 694,028
Sales & Use	414,387	413,404	401,674	396,967	385,034	345,203	421,814	307,573	297,620	339,094	341,914	372,771
Corporate Income	35,238	20,042	154,364	51,110	31,669	174,535	21,726	18,674	197,441	31,564	20,533	144,972
Public Utility	20	20	509	1,871	148,786	987	56	1,108	107	2,710	149,221	908
Excise	30,620	34,376	36,523	27,764	36,994	26,518	28,435	80,315	50,039	55,449	59,967	61,596
Insurance	584	1,777	33,083	489	1,004	31,518	2,096	22,154	28,997	32,521	1,912	34,686
Inheritance	12,784	17,121	14,108	14,117	15,580	10,886	4,291	8,949	10,777	9,335	13,088	12,896
Subtotal Tax Receipts	$ 1,175,844	$ 987,538	$ 1,292,119	$ 1,187,524	$ 1,140,486	$ 1,049,437	$ 1,590,547	$ 964,141	$ 1,100,009	$ 1,450,972	$ 1,102,956	$ 1,321,857
NON-TAX RECEIPTS												
Federal	$ 579,248	$ 553,559	$ 479,277	$ 518,519	$ 557,015	$ 504,290	$ 650,871	$ 551,700	$ 490,382	$ 522,000	$ 553,100	$ 586,100
Other & Transfers	397,510	231,439	414,249	418,712	264,756	215,831	457,837	502,100	289,300	324,100	269,400	416,400
Note Proceeds[(d)]	594,000	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,570,758	$ 784,998	$ 893,526	$ 937,231	$ 821,771	$ 720,121	$ 1,108,708	$ 1,053,800	$ 779,682	$ 846,100	$ 822,500	$ 1,002,500
TOTAL RECEIPTS	$ 2,746,602	$ 1,772,536	$ 2,185,645	$ 2,124,755	$ 1,962,257	$ 1,769,558	$ 2,699,255	$ 2,017,941	$ 1,879,691	$ 2,297,072	$ 1,925,456	$ 2,324,357
DISBURSEMENTS												
Local Aids	$ 1,088,886	$ 170,143	$ 841,399	$ 120,205	$ 928,976	$ 1,293,374	$ 244,301	$ 294,000	$ 1,359,200	$ 145,400	$ 185,800	$ 1,962,700
Income Maintenance	554,657	462,141	430,767	475,577	408,147	473,582	425,771	416,936	410,942	424,007	417,660	209,916
Payroll and Related	293,794	439,220	257,475	384,708	457,197	272,879	447,230	489,317	286,550	435,077	460,002	279,832
Tax Refunds	114,634	89,140	53,251	63,034	69,419	157,306	100,895	539,200	394,604	329,517	131,279	164,100
Debt Service	95,411	5,720	170,526	-	3,239	-	-	1,537	327,165	-	27,037	-
Miscellaneous	294,406	317,141	347,387	387,175	381,627	256,891	563,847	398,300	327,400	329,300	478,700	432,002
Note Repayment[(d)]	4,213	-	-	-	-	-	-	152,237	156,450	156,450	156,450	-
TOTAL DISBURSEMENTS	$ 2,446,001	$ 1,483,505	$ 2,100,805	$ 1,430,699	$ 2,248,605	$ 2,454,032	$ 1,782,044	$ 2,291,527	$ 3,262,311	$ 1,819,751	$ 1,856,928	$ 3,048,550

(a) The projections in this table reflect the updated General Fund revenues estimates released by LFB on February 13, 2008 and the budget for the 2007-09 biennium (2007 Wisconsin Act 20). The projections in this table also assume that the State will receive approximately $124 million pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) $72 million, which is the estimate of all payments due in the 2007-08 fiscal year, and (ii) $52 million, which is an estimate of payments due in previous years from a tribal government that are expected to be made in the 2007-08 fiscal year. With respect to the amount that was due in previous years, the timing may be affected by the outcome of litigation currently pending in a federal district court. The State and this tribal government also continue arbitration with respect to the tribal government's amended gaming compact. 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 enacted budget bill, this amount is approximately $691 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 $415 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 proceeds from an operating note issue that was 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 40). Replace with the following updated table.

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 January 31, 2008
(Amounts in Thousands)

	FY07 through January 2007	FY08 through January 2008				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY07 Actual to FY08 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 4,373,017	$ 4,623,411	$ 4,632,035	$ (8,624)	$ (8,624)	$ 250,394
Sales	2,751,978	2,778,483	2,765,300	13,183	13,183	26,505
Corporate Income	526,048	488,684	493,500	(4,816)	(4,816)	(37,364)
Public Utility	145,880	152,249	152,969	(720)	(720)	6,369
Excise	219,387	221,230	242,269	(21,039)	(21,039)	1,843
Insurance	71,515	70,551	71,717	(1,166)	(1,166)	(964)
Inheritance	73,986	88,887	52,084	36,803	36,803	14,901
Total Tax Receipts	$ 8,161,811	$ 8,423,495	$ 8,409,874	$ 13,621	$ 13,621	$ 261,684
Non-Tax Receipts						
Federal	$ 3,674,074	$ 3,842,779	$ 3,859,964	$ (17,185)	$ (17,185)	$ 168,705
Other and Transfers	2,421,228	2,400,334	2,692,388	(292,054)	(292,054)	(20,894)
Note Proceeds [d]	-	594,000	594,000	-	-	594,000
Total Non-Tax Receipts	$ 6,095,302	$ 6,837,113	$ 7,146,352	$ (309,239)	$ (309,239)	$ 741,811
TOTAL RECEIPTS	$ 14,257,113	$ 15,260,608	$ 15,556,226	$ (295,618)	$ (295,618)	$ 1,003,495
DISBURSEMENTS						
Local Aids	$ 4,397,269	$ 4,687,284	$ 4,710,282	$ 22,998	$ 22,998	$ 290,015
Income Maintenance	3,102,868	3,230,642	3,204,307	(26,335)	(26,335)	127,774
Payroll & Related	2,445,818	2,552,503	2,611,236	58,733	58,733	106,685
Tax Refunds	532,238	647,679	486,183	(161,496)	(161,496)	115,441
Debt Service	221,100	274,896	304,753	29,857	29,857	53,796
Miscellaneous	2,533,869	2,548,474	2,609,846	61,372	61,372	14,605
Note Repayment [d]	-	4,213	4,213	-	-	4,213
TOTAL DISBURSEMENTS	$ 13,233,162	$ 13,945,691	$ 13,930,820	$ (14,871)	$ (14,871)	$ 712,529
VARIANCE FY08 YEAR-TO-DATE				$ (310,489)	$ (310,489)	

(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 through the month of September, 2007 reflect the Governor's proposed budget for the 2007-08 fiscal year. The estimates in this table for the period of October, 2007 and subsequent months reflect the enacted budget. All revenue projections in this table reflect 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.

Source: Wisconsin Department of Administration

Table II-9; General Fund Monthly Position (Part II - Page 41). Replace with the following updated Table:

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2005 through January 31, 2008 - Actual
February 1, 2008 through June 30, 2008 – Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
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	[d]	1,772,536	1,483,505
	September	638,781		2,185,645	2,100,805
	October	723,621		2,124,755	1,430,699
	November	1,417,677		1,962,257	2,248,605
	December	1,131,329	[d]	1,769,558	2,454,032
2008	January	446,855		2,699,255	1,782,044
	February	1,364,066		2,017,941	2,291,527
	March	1,090,480	[d]	1,879,691	3,262,311
	April	(292,140)	[d]	2,297,072	1,819,751
	May	185,181		1,925,456	1,856,928
	June	253,709	[d]	2,324,357	3,048,550

(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

(b) The projections in this table reflect the updated General Fund revenues estimates released by LFB on February 13, 2008 along with the budget for the 2007-09 biennium (2007 Wisconsin Act 20).

(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. This amount is approximately $691 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 $415 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.

Source: Wisconsin Department of Administration

Table II-10; Balances in Funds Available for Interfund Borrowing (Part II - Page 42). Replace with the following updated table.

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2005 to January 31, 2008 - Actual
February 29, 2008 to June 30, 2008 - Estimated
(Amounts in Millions)

The following shows, 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)**; the second table does include such balances. 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. 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.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2005	2006	2007	2008
January		$ 1,118	$ 1,048	$ 1,203
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	1,204	
October	1,115	925	1,110	
November	1,167	966	1,229	
December	1,135	1,019	1,244	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2005	2006	2007	2008
January		$ 4,232	$ 4,509	$ 4,943
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	3,900	
November	3,370	3,477	4,017	
December	3,692	3,764	4,141	

(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	Recycling
Petroleum Storage Environmental Cleanup	Health Insurance Risk Sharing Plan	Unemployment Compensation

Source: Wisconsin Department of Administration

Table II-11; General Fund Recorded Revenues (Part II - Page 43). Replace with the following updated table:

GENERAL FUND RECORDED REVENUES[(a)]
(Agency Recorded Basis)
July 1, 2007 to January 31, 2008 compared with previous year[(b)]

	Annual Fiscal Report Revenues 2006-07 FY[(c)]	Projected Revenues 2007-08 FY[(d)]	Recorded Revenues July 1, 2006 to January 31, 2007[(e)]	Recorded Revenues July 1, 2007 to Janaury 31, 2008[(f)]
Individual Income Tax	$ 6,573,778,000	$ 6,758,800,000	$ 3,871,490,208	$ 3,995,632,384
General Sales and Use Tax	4,158,612,000	4,310,000,000	2,177,702,020	2,210,855,041
Corporate Franchise and Income Tax	890,056,000	887,775,000	457,212,252	414,566,683
Public Utility Taxes	284,940,000	297,200,000	141,263,883	145,868,892
Excise Taxes	365,848,000	537,300,000	188,692,131	193,037,369
Inheritance Taxes	121,114,000	95,000,000	71,344,071	89,519,927
Insurance Company Taxes	141,405,000	141,000,000	65,890,180	69,053,865
Miscellaneous Taxes	82,244,000	73,000,000	46,206,900	43,540,557
SUBTOTAL...........	12,617,997,000	13,100,075,000	7,019,801,644	7,162,074,717
Federal and Other Inter-Governmental Revenues[(g)]	6,505,269,000	6,239,071,300	3,698,606,604	3,864,100,408
Dedicated and Other Revenues[(h)]	4,000,158,000	4,548,254,700	2,565,160,511	2,569,969,476
TOTAL...................	$ 23,123,424,000	$ 23,887,401,000	$ 13,283,568,759	$ 13,596,144,602

(a) The revenues in this table are presented on an agency recorded basis and not a budgetary basis. 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 shown do not include 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 (budgetary basis) for 2006-07 fiscal year, dated October 15, 2007.

(d) The projections in this table reflect the projected General Fund revenues released by LFB on January 30, 2007 and the enacted budget for the 2007-08 fiscal year (2007 Wisconsin Act 20). The projections do not reflect the updated estimates of General Fund revenues released by LFB on February 13, 2008.

(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.

Source: Wisconsin Department of Administration

Table II-12; General Fund Recorded Expenditures by Function (Part II - Page 44). Replace with the following updated table:

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency Recorded Basis)
July 1, 2007 to January 31, 2008 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2006–07 FY[(c)]	Appropriations 2007–08 FY[(d)]	Recorded Expenditures July 1, 2006 to January 31, 2007[(e)]	Recorded Expenditures July 1, 2007 to Janaury 31, 2008[(f)]
Commerce.................................………	$ 281,047,000	$ 294,328,200	$ 147,480,782	$ 136,923,731
Education..................................………	10,542,076,000	10,961,021,300	5,303,263,484	5,446,998,672
Environmental Resources.......………	328,094,000	367,720,800	131,177,552	140,575,797
Human Relations & Resources ………	9,341,228,000	9,256,908,100	5,321,709,596	5,574,926,700
General Executive.................………	720,467,000	947,430,200	474,830,003	510,041,261
Judicial......................................………	121,332,000	127,264,900	76,848,432	82,756,908
Legislative..................................………	63,372,000	71,124,100	31,361,361	33,831,001
General Appropriations...........………	1,807,627,000	2,060,562,300	1,591,955,849	1,808,649,411
TOTAL.......……………………	$ 23,205,243,000	$ 24,086,359,900	$ 13,078,627,060	$ 13,734,703,481

(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 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) The estimates in this table reflect the enacted budget for the 2007-08 fiscal year (2007 Wisconsin Act 20).

(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 C
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:*

Subject: $798,120,000
State of Wisconsin
General Fund Annual Appropriation Refunding Bonds of 2008,
Series A (Taxable Fixed Rate) and Series B (Taxable Floating Rate Notes)

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $798,120,000 General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) and Series B (Taxable Floating Rate Notes), dated the date hereof **(Bonds)**. The Bonds are being issued pursuant to Section 16.527 of the Wisconsin Statutes, authorizing certifications of the Department of Administration (**Department**) executed and delivered by its Secretary and dated March 19, 2008 (**Authorizing Certifications**), and a Trust Indenture, dated as of December 1, 2003 (as supplemented and amended, **Indenture**), between the State, acting by and through the Department, and Deutsche Bank Trust Company Americas, as trustee (**Trustee**), as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, and a Second Supplemental Trust Indenture, dated as of April 1, 2008 (**Second Supplemental Indenture)**, between the same parties.

We examined the law, the Authorizing Certifications, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon those certifications without independently undertaking to verify them.

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

1. The State has the valid right and lawful authority to enter into and perform its obligations under the Second Supplemental Indenture and to issue the Bonds.

2. The execution and delivery of the Second Supplemental Indenture and the issuance and sale of the Bonds have been duly authorized by the Authorizing Certifications.

3. The Second Supplemental Indenture has been duly executed and delivered by the State and is a valid and binding obligation enforceable against the State in accordance with its terms.

4. The Bonds have been executed, issued, and delivered in accordance with law, the Authorizing Certifications, and the Indenture. The Bonds are valid and binding limited obligations of the State, enforceable in accordance with their terms and payable as provided in the Indenture only from amounts that the legislature may, from year to year, appropriate for such payment.

5. The Bonds do not constitute a debt of the State for constitutional purposes, nor do they constitute the giving or lending of credit of the State, and the State is not generally liable on the Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof are pledged to the payment of the principal of or the interest on the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture 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.

Except to the extent, if any, stated in a separate letter, 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 and we express no opinion relating thereto.

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. Also, in serving as bond counsel, we have established an attorney-client relationship solely with the State.

Very truly yours,

APPENDIX D
CONTINUING DISCLOSURE UNDERTAKING

The State's continuing disclosure undertaking, which appears in the following pages of this Appendix, consists of three parts. The master agreement establishes a general framework under which the State will provide continuing disclosure on various types of securities the State has issued. An addendum describes what financial information and operating data will be disclosed for the particular type of security. A supplement specifies that the master agreement and an addendum shall apply with respect to a particular issue of securities.

MASTER AGREEMENT ON CONTINUING DISCLOSURE

This Master Agreement on Continuing Disclosure (the "Disclosure Agreement") is executed and delivered by the State of Wisconsin (the "Issuer"), a municipal securities issuer and a sovereign government. The Issuer covenants and agrees as follows:

SECTION 1. Definitions.

The following capitalized terms shall have the following meanings:

"**Addendum Describing Annual Report**" means an addendum, substantially in the form of Exhibit A hereto, that describes the contents of an Annual Report for a particular type of obligation.

"**Annual Report**" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"**Bonds**" shall mean any issue of the Issuer's obligations to which this Disclosure Agreement applies.

"**Bondholders**" shall mean the beneficial owners from time to time of the Bonds.

"**Disclosure Agreement**" shall mean this agreement.

"**Issuer**" shall mean the municipal securities issuer described above.

"**Listed Events**" shall mean any of the events listed in Section 6 (a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board.

"**National Repository**" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"**Participating Underwriter**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"**Resolution**" shall mean the resolution or resolutions of the State of Wisconsin Building Commission (the agency of the Issuer responsible for issuance of the Bonds) or the trust indenture entered into by the Issuer, pursuant to which the Bonds are issued.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**State Depository**" shall mean the public or private entity, if any, designated by the Issuer as a state depository for the purpose of the Rule.

"**Supplemental Agreement**" means an agreement, substantially in the form of Exhibit B hereto, that determines that the Disclosure Agreement shall apply to a specific issue of obligations and specifies the contents of the Annual Report.

SECTION 2. Purpose of the Disclosure Agreement.

The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule in connection with the Bonds.

SECTION 3. Application of the Disclosure Agreement.

This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to let the Issuer's obligations be uniform for all issues of Bonds.

SECTION 4. Provision of Annual Reports.

(a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year (starting with the fiscal year that ends June 30, 1996), provide to each National Repository and State Depository an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If the Annual Report does not include the Issuer's audited financial statements, the Issuer shall submit them to each National Repository and State Depository within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide to each National Repository and State Depository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to each National Repository and State Depository.

SECTION 5. Content of Annual Reports.

(a) The Annual Report shall be provided for each obligated person described in the Addendum Describing Annual Report, and it shall contain or incorporate by reference, the financial statements and operating data, and use the accounting principles, described in the Addendum Describing Annual Report.

(b) The Annual Report may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report may be incorporated by reference from other documents that have been submitted to (i) each National Repository and the State Depository, if any or (ii) the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) To allow for uniformity of the contents of Annual Reports with respect to obligations that are similar in character, the Issuer may from time to time describe the contents in an Addendum Describing Annual Report and shall incorporate a description by reference in a Supplemental Agreement.

SECTION 6. Reporting of Significant Events.

(a) This Section 6 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of Bondholders.
8. Bond calls.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall promptly file a notice of such occurrence with each National Repository and the State Depository, if any (or to the MSRB and the State Depository, if any). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to affected Bondholders if it is required pursuant to the Resolution.

(c) Similarly, if the Issuer determines that it failed to give notice as required by this section, it shall promptly file a notice of such occurrence in the same manner as described in subsection (b).

SECTION 7. Termination of Reporting Obligation.

The Issuer's obligations under this Disclosure Agreement with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds or if the Rule shall be revoked or rescinded by the Securities and Exchange Commission or declared invalid by a final decision of a court of competent jurisdiction.

SECTION 8. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if the following conditions are met:

(a) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or an obligated person, or the type of business conducted; and

(b) This Disclosure Agreement, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of Bondholders, as determined by an opinion of nationally recognized bond counsel, a certificate from an indenture trustee for the Bonds, or an approving vote of Bondholders pursuant to the terms of the Resolution at the time of the amendment or waiver.

SECTION 9. Additional Information.

The Issuer may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default.

A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy of a Bondholder under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. The Issuer reserves any defense it may have to any such action including that this Disclosure Agreement violates sovereign rights or that no funds have been appropriated for performance.

SECTION 11. Beneficiaries.

The Issuer intends to be contractually bound by this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters and Bondholders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Responsible Officer.

Pursuant to a resolution adopted by the State of Wisconsin Building Commission on August 9, 1995, the Capital Finance Director has been authorized to execute this Disclosure Agreement on behalf of the Issuer and the Capital Finance Office has been designated the office of the Issuer responsible for providing Annual Reports and giving notice of Listed Events, to the extent required hereunder. Any inquiries regarding this Disclosure Agreement should be directed to the Capital Finance Office, Department of Administration, Division of Executive Budget and Finance, 101 East Wilson Street, Madison, Wisconsin 53702, Phone: (608) 266-5355, Fax: (608) 266-7645.

IN WITNESS WHEREOF, the Issuer has caused this Disclosure Agreement to be executed by its duly authorized officer.

Date: September 25, 1995

STATE OF WISCONSIN,
Issuer

By /S/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

EXHIBIT A

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

ADDENDUM DESCRIBING ANNUAL REPORT FOR [TYPE OF OBLIGATIONS]

This Addendum Describing Annual Report for [Type of Obligation] (the "Addendum") is delivered by the State of Wisconsin (the "Issuer") pursuant to the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated ________________, 1995. This Addendum describes the content of an Annual Report prepared with respect to [type of obligation]. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer.

The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person(s):

[None] [Each of the entity named or described by objective criteria below is an obligated person: ____]

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: ____.

Financial Statements. The financial statements shall present the following information: ________.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: ____ _______________________________.

Content of Annual Report for Additional Obligated Person(s).

Accounting Principles. The following accounting principles shall be used for the financial statements: ____________________________.

Financial Statements. The financial statements shall present the following information: ________.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: ____.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: ___________, ____

STATE OF WISCONSIN,
Issuer

By ___________________________

Name: ________________________
Title: _________________________

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (the "Issuer") to supplement the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated _______________, 1995. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations:

Name of Obligations:

____

____

Date of Issue: ___________, ____

CUSIPS: ___________________________

IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: ___________, ____

STATE OF WISCONSIN,
Issuer

By ___________________________

Name: ________________________
Title: _________________________

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL FUND ANNUAL APPROPRIATION BONDS

This Addendum Describing Annual Report for General Fund Annual Appropriation Bonds (the "Addendum") is delivered by the State of Wisconsin (the "Issuer") pursuant to the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated September 25, 1995. This Addendum describes the content of an Annual Report prepared with respect to appropriation obligations issued under Section 16.527 of the Wisconsin Statutes. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer.

The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person:

None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles.

Financial Statements. The financial statements shall present the following information: The General Purpose External Financial Statements section of the audited Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data concerning the following maters shall be presented:

(i) a determination, with supporting information, of the "Annual Appropriation Amount," as defined in the Trust Indenture, dated as of December 1, 2003 (the "Indenture") between the Issuer and Deutsche Bank Trust Company Americas, as trustee, for each fiscal year in the current biennium and, in the second fiscal year of a biennium, for the upcoming biennium;

(ii) the amounts appropriated by the legislature in each fiscal year with respect to appropriation obligations issued under Section 16.527 of the Wisconsin Statutes; *provided, however,* that not more than ten years in which amounts have been appropriated need be presented;

(iii) revenues received by the State;

(iv) expenditures made by the State;

(v) budgets;

(vi) selected financial data concerning the General Fund;

(vii) information concerning interfund borrowings;

(viii) pertinent information on significant pending litigation;

(ix) balances of outstanding State obligations; and

(x) statistical information on the State's economic condition, veterans housing loan program, and Wisconsin Retirement System.

Reporting of Significant Events:

The Issuer agrees that it will treat each of the following events as though it were a Listed Event under the Disclosure Agreement:

(i) the event of a Budget Bill failing to include the Annual Appropriation Amount (as such terms are defined in the Indenture);

(ii) an Event of Nonappropriation (as such term is defined in the Indenture); and

(iii) any failure to make a payment when due under a Swap Agreement (as such term is defined in the Indenture).

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: December 10, 2003

STATE OF WISCONSIN,
Issuer

By: /S/ FRANK R. HOADLEY
Frank R. Hoadley
Capital Finance Director

FORM OF
SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (the "Issuer") to supplement the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated September 25, 1995. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds, executed and delivered by the Issuer and dated December 10, 2003, shall apply to the following issue of obligations:

Name of Obligations:	$798,120,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2008, Series A (Taxable Fixed Rate) and Series B (Taxable Floating Rate Notes)
Date of Issue:	April 1, 2008
CUSIPs:	Series A (Taxable Fixed Rate) 977100 AN6 977100 AP1 977100 AQ9 977100 AR7 977100 AS5 977100 AT3 977100 AU0 977100 AV8 Series B (Taxable Floating Rate Notes) 977100 AW6

IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: April 1, 2008

STATE OF WISCONSIN,
Issuer

By:____________________
Frank R. Hoadley
Capital Finance Director

APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), 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 Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ____________________ By ____________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019