

PART IV

MASTER LEASE CERTIFICATES OF PARTICIPATION

Part IV of the 2017 Annual Report provides information about master lease certificates of participation (**Certificates** or **COPs**) issued under the State of Wisconsin Master Lease Program (**Program**). Selected information is provided in this introduction for the convenience of the readers; however, all information presented in this Part IV of the 2017 Annual Report should be reviewed to make an informed investment decision.

Total Outstanding Balance (12/15/2017)	\$111,373,548
Ratings ^(a) (Fitch/Kroll/Moody's/S&P) Certificates	AA ^(b) /AA ^(c) /Aa2 ^(d) /AA-
Authority	The Master Lease is authorized by Section 16.76(4), Wisconsin Statutes; Certificates are issued pursuant to the Master Indenture.
Trustee/Paying Agent	U.S. Bank National Association serves as Trustee, Paying Agent, registrar, and Lessor.
Security	The Certificates evidence a proportionate interest in Lease Payments to be made by the State under the Master Lease with regard to equipment items and service contracts. <i>The Certificates do not constitute debt of the State or any of its subdivisions. The State's obligation to make Lease Payments is not a general obligation of the State and is not supported by the full faith and credit of the State. The State is not obligated to levy or pledge any tax to make the Lease Payments, but such payments are required from legally available funds, subject to annual appropriation.</i>
<p>^(a) The ratings presented reflect the ratings assigned to the Certificates without regard to any bond insurance policy. No information is provided in the 2017 Annual Report about any rating assigned to any Certificates based on any bond insurance policy.</p> <p>^(b) On October 19, 2017, Fitch Ratings upgraded its rating on the State's master lease certificates of participation from "AA-" to "AA".</p> <p>^(c) On October 18, 2017, Kroll Bond Rating Agency, Inc. upgraded its rating on the State's master lease certificates of participation from "AA-" to "AA".</p> <p>^(d) On August 4, 2017, Moody's Investors Service, Inc. upgraded its rating on the State's master lease certificates of participation from "Aa3" to "Aa2".</p>	

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The Capital Finance Office, which is part of the Division of Executive Budget and Finance within the State of Wisconsin Department of Administration (**Department of Administration** or **DOA**), is

responsible for managing the State's borrowing and finance programs. The law firm of Foley & Lardner LLP provided bond counsel services in connection with the Program. Requests for additional information about the Certificates or the Program may be directed to the Capital Finance Office.

The 2017 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of a term used in one part of the 2017 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2017 Annual Report is part of the report unless expressly incorporated by reference.

General information about the State, including but not limited to operating data such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and the Wisconsin Retirement System is included in [Part II of the 2017 Annual Report](#). The State's audited general purpose external financial statements and independent auditor's report for the fiscal year ending June 30, 2017 are not available as of the date of the 2017 Annual Report. When such statements become available, they will be filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system and will be added to Part II of the 2017 Annual Report.

Certain statements in this Part IV of the 2017 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2017 Annual Report, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

OUTSTANDING CERTIFICATES

Pursuant to the Master Indenture, dated as of July 1, 1996 (**Master Indenture**), among the State of Wisconsin, acting by and through its Department of Administration (**State or Lessee**), Firststar Bank Milwaukee, N.A., now known as U.S. Bank National Association (**Lessor**), and Firststar Trust Company, now known as U.S. Bank National Association, as trustee (**Trustee and Paying Agent**), the Trustee, with the consent of the State, has issued Certificates on the dates and in the amounts shown in Table IV-1. The table includes the outstanding principal balances as of December 15, 2017, and only includes Certificates that have an outstanding balance as of that date.

Table IV-1

OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION BY ISSUE (As of December 15, 2017)

<u>Financing</u>	<u>Date of Financing</u>	<u>Maturity</u>	<u>Amount of Issuance</u>	<u>Amount Outstanding</u>	
<i>Fixed-Rate Master Lease COPs</i>					
2014- Master Lease COPs Series A	2/27/14	2014-23	\$ 33,180,000	\$ 18,437,856	(a)
2014- Master Lease COPs Series B.....	11/13/14	2015-23	37,635,000	18,753,902	(a)
2015- Master Lease COPs Series A	7/8/15	2015-23	39,960,000	26,488,841	(a)
2016- Master Lease COPs Series A	7/14/16	2016-23	33,645,000	<u>22,255,000</u>	
<i>Total Fixed-Rate Master Lease COPs</i>				\$ 85,935,598	
<i>Variable-Rate Master Lease COPs</i>					
2013- Master Lease COPs Series A ^(b)	8/29/13	2021	\$ 50,000,000	\$ 25,437,949	
<i>Total Variable-Rate Master Lease COPs</i>				<u>\$ 25,437,949</u>	
TOTAL OUTSTANDING MASTER LEASE COPs				<u>\$111,373,548</u>	

(a) The Master Lease provides that certain Lease Schedules can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the Lease Schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the Lease Payments when due. The principal amount of Certificates for which payment has been provided is treated as not outstanding for purposes of this table.

(b) This series of Certificates evidence the State’s repayment of a revolving credit facility in the aggregate amount of \$50,000,000, which the State uses for acquisition funding for the Program. See “**SECURITY FOR CERTIFICATES; Two-Phase Financing Structure**”.

Table IV-2 provides a historical view of the amount of outstanding Certificates as of December 15th for the previous ten years.

**Table IV-2
HISTORICAL OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION**

Year (December 15)	Total
2007	\$ 84,577,160
2008	74,135,428
2009	63,871,327
2010	74,099,653
2011	68,223,080
2012	55,891,494
2013	66,795,540
2014	92,103,222
2015	111,962,060
2016	111,238,338

THE MASTER LEASE PROGRAM

General

The Program, which was created in 1992 for use by all State agencies, permits the State to acquire tangible property and, in certain situations, intangible property or prepaid service items (**Leased Items**), for State agencies through installment purchase contracts. Particular Leased Items are described in schedules (**Lease Schedules**) that are prepared under the Third Amended and Restated Master Lease, dated as of April 28, 2000 (**Master Lease**), between the Lessor and the State.

Through the period ending December 15, 2017, 16 State departments, the Legislature, the Supreme Court, and various other State bodies have used the Program to acquire approximately \$756 million of Leased Items.

Program Structure

The Master Lease and the Master Indenture establish the structure of the Program. The Master Lease contains general terms and conditions applicable to both the Program and Lease Schedules entered into by the Lessor and the State. A supplemental indenture creates a particular series of Certificates. See “**SUMMARY OF THE MASTER LEASE**”.

The Master Indenture establishes a trust (**Trust**) comprising certain Lease Schedules, rents, and other payments the State is required to make under the Master Lease (**Lease Payments**), Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease. The Trust serves as a common pool of collateral, ratably securing all present and future Certificates. See “**SUMMARY OF THE MASTER INDENTURE**”.

Program Operations

The Program structure places within the Department of Administration centralized control of day-to-day operations:

- Functions related to Program administration, review of requests for eligible use of the Program, and day-to-day Program operations occur in the Capital Finance Office.
- Functions related to review of requests for budgetary capacity for Lease Payments resulting from use of the Program and biennial budget preparation occur in the State Budget Office.

- Functions related to collection of Lease Payments occur in the State Controller's Office.

Each of these offices is part of the Department of Administration's Division of Executive Budget and Finance.

To use the Program to acquire a Leased Item, a State agency submits a written request to the Capital Finance Office. This request is reviewed and approved by the Capital Finance Office, the State Budget Office, and the Secretary of Administration. Requests that include information technology items, including development of software or related systems, are also reviewed by the Department of Administration's Division of Enterprise Technology. The review process includes a determination by the Capital Finance Office that lease financing is the best alternative for the particular circumstance and a determination by the State Budget Office that current resources are available to make the Lease Payments due in the current fiscal year. Upon receiving approval to use the Program, the State agency completes procurement of the Leased Item in compliance with State procurement requirements.

Upon acceptance of the Leased Item, the State agency forwards all related outstanding invoices to the Department of Administration for coordination of payment through the Program. Parallel to payment being made to the vendor, a Lease Schedule is prepared by the Department of Administration and executed by the State, the Lessor, and the State agency. This Lease Schedule is then added to the Master Lease. The Lease Schedule also identifies the budgetary appropriation from which the related Lease Payments are expected to be made.

Lease Payments are collected by the State Controller's Office. Scheduled Lease Payments are automatically withdrawn from the appropriations identified by the State agency and electronically wired to the Trustee.

State Appropriation Process

Lease Payments are not included in the State budget as a separate budget line item; rather, Lease Payments are included with other expenditures in one or more of a State agency's existing budget lines. State law establishes procedures for the budget's enactment. See **"BUDGETING PROCESS AND FISCAL CONTROLS"** in **Part II of the 2017 Annual Report** for a summary of the budget enactment process and other financial procedures of the State. The State Budget Office review and approval of requests to use the Program provides for Lease Payments to be addressed during preparation of a biennial budget.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary to the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

SECURITY FOR CERTIFICATES

General

The Certificates represent proportionate interests in Lease Payments required to be made by the State under the Master Lease. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. The scheduled Lease Payments are sufficient to pay when due the semiannual principal and interest payments on all outstanding Certificates.

*The obligation of the State to make Lease Payments does not constitute an obligation for which the State is obligated to levy or pledge any form of taxation or for which the State has levied or pledged any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State. Lease Payments are required from legally available funds, subject to annual appropriation. See **"RISK FACTORS"**.*

Common Pool of Collateral

Under the Master Indenture, the Lessor has assigned to the Trustee, for the benefit of all owners of Certificates, all its rights in the following:

- The funds and accounts created by the Master Indenture.

- The Lease Schedules specified in supplemental indentures.
- All Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease.

All Leased Items serve as a common pool of collateral, ratably securing all present and future Certificates. All Certificates are secured by all Leased Items, regardless of their funding source or the time at which the Program finances them. If the Legislature fails to appropriate necessary funds for the continued performance of the State’s obligations under any Lease Schedule or if an event of default occurs under the Master Lease, then an event of default exists with respect to all outstanding Certificates. Once a Lease Schedule is fully paid, the Leased Item covered by the Lease Schedule no longer serves as collateral.

In the opinion of Bond Counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State’s obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of Certificates. As of December 15, 2017, no reserve fund has been established for any series of outstanding Certificates. In the event that the Department of Administration were to establish a reserve fund under the Master Indenture, the amounts in the reserve fund would only be available to the series of Certificates for which the reserve fund was established.

Governmental Use

In connection with each Lease Schedule, the State certifies that each Leased Item will be used to perform a governmental function. Many of the Leased Items will perform critical governmental functions, but the State does not certify that the Leased Items perform any “essential” functions. Examples of Leased Items currently existing in the Trust include components of the State’s integrated tax collection and processing system, components of the State’s central mainframe computer, technology upgrades and equipment for various information technology initiatives, and components of a comprehensive information technology system that allows the State to centrally manage finance, budget, procurement, business intelligence and human resource functions. See **“TABLE IV-3; Outstanding Master Lease Schedules”**.

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller’s Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State typically uses a two-phase financing structure for the Program. In the first (or acquisition) phase, all Leased Items are initially financed with proceeds from a revolving credit facility. The revolving credit facility is a line of credit, and the State, acting on behalf of the Trustee, requests draws from the revolving credit facility to pay for the acquisition of Leased Items. A Certificate has been issued to the provider of the revolving credit facility to evidence the State’s repayment of balances under the facility. The provider is currently PNC Bank, National Association, and the current scheduled termination date to make draws is September 1, 2018. The State pays interest on funds drawn from the revolving credit facility based on a taxable variable interest rate, and the repayment term under the credit facility can extend for up to three years after the scheduled termination date.

In the second phase, the State, acting on behalf of the Trustee, may sell Certificates, with interest payments based on a fixed (and generally tax-exempt) interest rate to fund all, or a portion of, the Lease

Schedules previously funded with proceeds from the revolving credit facility. Since the proceeds of the Certificates being used as part of the second phase are immediately applied to acquire existing Lease Schedules, the proceeds of those Certificates are not subject to nonorigination risk. The State most recently issued fixed-rate Certificates for this purpose in July 2016, July 2015, November 2014, and February 2014, and prior to these four series, the last issuance of such fixed-rate Certificates occurred in 2012.

In connection with any refinancing, the Master Lease and the Lease Schedules provide for amendments to the terms of the Lease Schedules to match the payment dates and amounts of the Certificates.

All sources of financing for the Program are issued under the Master Indenture. See **“SECURITY FOR CERTIFICATES; Common Pool of Collateral”**.

Expected Refunding of Certificates

Some of the Lease Schedules funded with fixed-rate Certificates had terms that extend beyond the final maturity date of the respective series of Certificates, including some terms that extended to March 1, 2029. The Lease Schedules have been amended to provide for rental payments sufficient to make scheduled payments of principal of, and interest on, the Certificates. Many series of Certificates currently have a maturity on March 1, 2023. The State intends to issue additional Certificates on or prior to March 1, 2023, to refund all or a portion of the principal of the Certificates maturing on March 1, 2023.

Upon issuance of these refunding Certificates, the State will further amend the Lease Schedules to provide for rental payments sufficient to make scheduled payments of principal of, and interest on, the Certificates, and to extend the payment terms in a manner consistent with their initial terms.

Budget Process

The central control of the Program provides the State Budget Office with knowledge of all past, current, and pending scheduled Lease Payments due under the Master Lease. Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item; rather, Lease Payments due under the Master Lease are included with other expenditures in one or more of the existing budget line items for the participating agencies. The Secretary of Administration, under the direction of the Governor and with assistance from the State Budget Office, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies.

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. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Once a newly enacted budget becomes effective, the continuing authority of existing appropriations is superseded by the newly enacted appropriations.

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. If an amount has been appropriated for the second fiscal year in one biennium, there will be continuing authority in the same amount until a new biennial budget is enacted or some other legislative action is taken to amend or repeal the appropriation. The 2017-19 biennial budget of the State was enacted on September 21, 2017, which was 82 days after the start of the biennium. Of the prior ten biennial budgets, the 2015-17 biennial budget was enacted 11 days after the start of the biennium, and the 2013-15, 2011-13, and 2009-11 biennial budgets were each enacted prior to the start of their respective biennia; however, each of the six biennial budgets prior to the 2009-11 biennium was enacted after the start of the biennium, with the latest date after the start of a biennium being October 27, 1999 (for the 1999-2001 biennium), which was nearly four months after the start of the 1999-2000 fiscal year (the first fiscal year of that biennium).

The Secretary of Administration has statutory power to order reductions in the appropriations of State agencies (which represent less than one-third of the General Fund budget). See **“BUDGETING PROCESS AND FISCAL CONTROLS”** in **Part II of the 2017 Annual Report** for additional information on the State’s budget process.

Priority of Claims

The Master Lease includes representations that, if an emergency arises that requires the Department of Administration to draw vouchers for payment that will be in excess of available moneys, then the Secretary of Administration will establish a priority schedule for payments that gives a high priority to Lease Payments due under the Master Lease. However, the Secretary of Administration is required to give higher priority to payments on outstanding State general obligations, operating notes, and employee payroll. See “**GENERAL FUND INFORMATION; General Fund Cash Flow**” in **Part II of the 2017 Annual Report**.

RISK FACTORS

Nonappropriation

The State’s obligation to make Lease Payments is subject to appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make the Lease Payments. **Nonappropriation** is defined in the Master Lease as a determination by the State (or Lessee) that the Legislature has failed to appropriate necessary funds for the continued performance of the obligations of the Lessee under the Master Lease. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State’s obligation to make Lease Payments is not a general obligation of the State, and the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority. The owners of the Certificates 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 Master Lease does not include a nonsubstitution clause. If the Legislature fails to appropriate necessary funds for the continued performance of the State’s obligations under the Master Lease, the State is allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

As described under “**SECURITY FOR CERTIFICATES; Expected Refunding of Certificates**”, some Lease Schedules funded with series of Certificates previously had scheduled Lease Payment dates extending beyond the final maturities of those Certificates. This includes approximately \$36 million of payments attributable to principal due March 1, 2023 that State agencies had intended to pay through a date that is after the final maturity for Certificates. The State intends to refund portions of the principal amounts of the Certificates that mature on March 1, 2023. However, if such refunding were not to occur for any reason, larger than normal appropriations would be needed to provide for the payment of the Certificates maturing on March 1, 2023. If provisions that are included in separate federal tax reform bills passed by both houses of Congress become law, the issuance of these additional Certificates would need to occur within 90 days of the first optional redemption date of the outstanding certificates for interest on such additional Certificates to be excludable from gross income for federal income tax purposes.

While it is possible that failure to make the Lease Payments might hinder the State’s subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See “**SUMMARY OF THE MASTER LEASE**” and “**SUMMARY OF THE MASTER INDENTURE**” for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Essentiality of Leased Items

Although the State has made certain representations that each Leased Item serves a governmental function and although many Leased Items serve critical functions, it should be assumed that the State could function without any Leased Item.

Collateral Value of Leased Items

Although the State has provided a security interest in the Leased Items to the Trustee (for the benefit of the owners of Certificates), the Certificates are not offered on the basis of the collateral value of the Leased Items or the value of any other pledged asset (other than the Lease Payments). The term of the Lease Schedule is not permitted to exceed the useful life of the Leased Item; however, it should not be assumed that the value of the Leased Item at any particular time will exceed the portion of the remaining Lease Payments that will be applied to principal or that the existence of any excess would motivate the State to continue making Lease Payments. Typically, it is difficult to realize the full value of collateral through sale of the collateral, and some of the Leased Items, such as service contracts, intangible property, or tangible property that is incorporated into real estate, may be impossible or difficult to sell or have little or no value to a third-party purchaser.

Records that evidence the security interest are kept by the Department of Administration, separate and apart from the central record system of security interests kept by the State of Wisconsin Department of Financial Institutions under the Uniform Commercial Code.

Tax Exemption

No assurance can be given that, if the Master Lease were terminated, subsequent payments made by the Trustee with respect to the outstanding Certificates and designated as interest would be excluded from gross income for federal income tax purposes.

Applicability of Securities Law

If the Master Lease were terminated, then the transfer of a Certificate might be subject to compliance with the registration provisions of applicable federal and state securities laws, which could impair the liquidity of the Certificates.

Table IV-3

**OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2017)**

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
12-005	2/15/2012	3/1/2019	Dispatch Console Replacement	\$1,776,827.76	\$ 351,525.97
12-021	6/29/2012	3/1/2019	Wisconsin Integrated Correction System (WICS) - Phase 3	1,275,647.00	269,378.79
12-033	12/17/2012	9/1/2019	Portable Radio Replacement	1,206,063.10	340,419.96
13-008	5/31/2013	9/1/2018	Delivery Vehicles	683,508.00	123,872.33
13-009	5/31/2013	9/1/2018	Golf Course Maintenance Equipment	70,070.89	12,698.97
13-010	6/14/2013	9/1/2028	ERP Software/Hardware - STAR Project	14,315,300.00	9,678,075.52
13-011	7/1/2013	9/1/2018	ERP Software/Hardware - STAR Project	1,606,208.91	302,086.62
13-012	7/1/2013	9/1/2018	Golf Course Maintenance Equipment	14,089.00	2,606.60
13-014	7/19/2013	9/1/2018	ERP Software/Hardware - STAR Project	1,148,211.55	218,348.60
13-015	8/1/2013	3/1/2018	Golf Course Maintenance Equipment	46,720.00	4,999.68
13-017	9/16/2013	9/1/2028	ERP Software/Hardware - STAR Project	10,000,000.00	6,916,763.26
13-020	10/1/2013	9/1/2020	Fleet Vehicles	37,942.00	15,751.84
14-003	2/7/2014	3/1/2021	Potato Grader	110,000.00	53,163.82
14-004	2/28/2014	3/1/2029	Star Project	1,049,735.00	740,910.68
14-006	4/1/2014	3/1/2029	Star Project	1,266,560.00	901,688.28
14-007	4/1/2014	3/1/2029	Star Project	2,629.87	1,871.86
14-008	4/11/2014	3/1/2019	Star Project	63,111.00	18,767.86
14-010	5/2/2014	3/1/2029	Star Project	1,779,630.00	1,277,929.14
14-011	5/2/2014	3/1/2018	Golf Course Maintenance Equipment	39,060.57	5,029.21
14-013	5/30/2014	3/1/2029	Star Project	2,211,085.00	1,600,158.05
14-014	5/30/2014	3/1/2018	Golf Course Maintenance Equipment	20,159.00	2,655.61
14-016	6/30/2014	3/1/2019	Wisconsin Integrated Correction System (WICS)	1,135,814.00	356,280.40
14-017	6/30/2014	9/1/2020	Patient Lifts	101,190.50	33,900.96
14-020	6/30/2014	3/1/2029	Star Project	3,150,758.69	2,286,992.85
14-023	7/18/2014	9/1/2020	Patient Lifts	113,916.90	55,637.77
14-024	8/8/2014	3/1/2029	Storage Hardware and Software	1,862,780.00	1,382,912.60
14-025	8/8/2014	9/1/2021	Biennial Budget System	335,859.30	185,003.40
14-026	9/16/2014	3/1/2029	Storage Hardware and Software	5,995,392.20	4,454,460.88
14-028	9/16/2014	9/1/2019	Networking Equipment	380,835.80	148,458.34
14-029	10/1/2014	9/1/2018	Storage Hardware and Software	13,373,204.90	3,305,825.88
14-030	10/1/2014	9/1/2020	Patient Lifts	148,281.99	72,354.23
14-031	10/17/2014	3/1/2029	Storage Hardware and Software	2,459,415.00	1,824,259.43
14-032	6/30/2014	3/1/2019	Computer Software	941,472.00	308,298.49
14-033	11/18/2014	3/1/2029	ERP Systems Integrator	2,459,415.00	1,837,132.87
14-034	12/3/2014	3/1/2029	STAR Project - ERP Software	2,459,415.00	1,844,980.50
15-001	1/9/2015	3/1/2029	STAR Project - ERP Software	2,459,415.00	1,863,897.57
15-002	2/13/2015	3/1/2029	STAR Project ERP Software and Services	7,468,416.60	5,749,447.54
15-004	2/13/2015	9/1/2019	Wireless Mobile Microphones	282,452.10	123,912.66
15-005	2/13/2015	9/1/2021	Microwave Network Communications Equipment	1,228,998.25	731,468.46
15-006	3/16/2015	3/1/2029	STAR Project ERP Software and Services	4,405,967.00	3,388,059.96

Table IV-3—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2017)

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
15-007	3/16/2015	9/1/2018	IT Storage Hardware and Software	\$1,333,701.84	\$ 379,170.67
15-008	3/16/2015	3/1/2018	Ultrasound Equipment	194,228.00	32,325.66
15-009	3/1/2015	3/1/2018	Ultrasound Equipment	137,945.50	7,979.65
15-010	4/21/2015	9/1/2018	Storage Hardware and Software	747,523.62	212,420.40
15-011	4/21/2015	9/1/2021	Microwave Network Hardware and Software	13,771.50	8,189.16
15-012	4/21/2015	3/1/2029	STAR Project ERP Software and Services	4,584,263.80	3,523,503.68
15-014	5/22/2015	9/1/2018	IT Storage Hardware and Software	151,226.85	46,335.44
15-015	5/22/2015	3/1/2018	Mainframe and Software Licences	7,189,000.00	1,306,253.35
15-016	5/22/2015	3/1/2029	STAR Project ERP Software and Services	3,557,638.40	2,794,655.27
15-017	7/2/2015	3/1/2029	STAR Project ERP Software and Services	3,139,506.40	2,465,052.40
15-018	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devices	129,595.00	23,536.71
15-019	7/2/2015	3/1/2020	Golf Course Maintenance Equipment	111,285.12	57,325.80
15-020	7/2/2015	9/1/2018	IT Storage Hardware and Software	300,092.15	91,904.57
15-021	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devices	264,854.00	52,798.55
15-022	7/29/2015	9/1/2019	Management Services	885,113.10	380,522.71
15-023	7/29/2015	9/1/2020	Golf Course Maintenance Equipment	27,802.62	16,001.23
15-024	7/29/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	1,148,505.30
15-025	8/19/2015	9/1/2018	IT Storage and Hardware	102,802.21	34,951.37
15-026	8/26/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	1,153,816.59
15-027	8/19/2015	9/1/2018	IT Storage and Hardware	99,304.00	33,762.04
15-028	8/19/2015	9/1/2016	Copier/Printer/MultiFunctional Devices	90,506.00	34,032.18
15-029	9/18/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,340,408.15	786,574.94
15-030	9/18/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,466,367.00	864,014.39
15-031	10/26/2015	3/1/2017	Dell Computers	27,792.00	9,853.05
15-032	10/26/2015	9/1/2020	ERP Software/Hardware - STAR Project	445,742.00	265,727.72
15-033	11/23/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,595,192.00	962,084.67
15-034	11/30/2015	9/1/2018	Biochemistry Analyzer	19,693.00	11,913.79
15-035	12/22/2015	9/1/2028	IT Storage and Hardware	1,692,524.00	624,498.92
15-036	12/22/2015	9/1/2018	IT Storage and Hardware	320,952.48	1,244.13
15-037	12/22/2015	9/1/2020	ERP Software/Hardware - STAR Project	89,148.40	53,174.42
16-001	1/12/2016	9/1/2020	ERP Software/Hardware - STAR Project	45,333.20	26,629.56
16-002	1/12/2016	9/1/2020	Veterinary Nuclear Medicine System	127,500.00	78,616.70
16-003	1/12/2016	3/1/2017	Dell Computers	20,151.00	7,159.83
16-004	1/29/2016	3/1/2021	Microwave Network	734,883.72	733,567.90
16-005	1/29/2016	3/1/2018	Mass Spectrometer	979,302.57	239,686.98
16-006	2/16/2016	3/1/2023	ERP Software/Hardware - STAR Project	1,973,887.00	1,461,582.12
16-007	2/16/2016	3/1/2018	Copier/Printer/MultiFunctional Devices	3,095.00	758.57
16-008	2/16/2016	9/1/2020	ERP Software/Hardware - STAR Project	45,333.20	28,608.48
16-009	3/2/2016	3/1/2023	Microwave Network	83,388.85	61,752.59
16-010	3/2/2016	3/1/2018	IT Storage and Hardware	190,632.25	46,752.45

Table IV-3—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2017)

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
16-011	3/2/2016	9/1/2020	IT Storage and Hardware	\$6,455,575.11	\$ 4,074,718.20
16-012	3/2/2016	9/1/2020	IT Storage and Hardware	925,290.10	584,032.86
16-013	3/2/2016	3/1/2021	Laptops	2,827,902.00	1,376,173.66
16-014	3/2/2016	3/1/2021	ERP Software/Hardware - STAR Project	89,148.40	58,888.66
16-015	3/28/2016	3/1/2021	ERP Software/Hardware - STAR Project	89,148.40	58,904.43
16-016	3/28/2016	3/1/2021	ERP Software/Hardware - STAR Project	253,760.00	167,670.87
16-017	3/28/2016	3/1/2023	Microwave Network	734,883.72	544,307.58
16-018	4/15/2016	3/1/2021	Mobile Radios	1,535,514.00	1,014,584.68
16-019	4/15/2016	3/1/2021	ERP Software/Hardware - STAR Project	253,760.00	167,701.95
16-020	4/22/2016	9/1/2020	Computer Hardware Systems	2,157,633.56	1,027,714.67
16-021	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devices	912,886.50	603,472.45
16-022	5/13/2016	3/1/2022	Mobile Radios	327,721.90	232,960.95
16-023	5/13/2016	3/1/2022	ERP Software/Hardware - STAR Project	206,933.20	147,098.35
16-024	5/13/2016	3/1/2022	IT Storage and Hardware	124,314.00	88,368.51
16-025	6/13/2016	3/1/2023	IT Storage and Hardware	146,682.60	108,702.77
16-026	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	252,593.60	187,190.71
16-027	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	358,535.00	265,701.25
16-028	6/13/2016	9/1/2022	Mobile Radios	27,185.86	19,855.43
16-029	6/13/2016	9/1/2021	Call Center Software/Hardware System	4,067,296.13	2,799,475.93
16-030	6/13/2016	3/1/2021	Forage Merger	99,000.00	65,466.08
16-031	6/30/2016	3/1/2019	IPads	142,383.35	37,836.95
16-032	6/30/2016	9/1/2020	Computer Hardware Systems	145,499.97	107,633.40
16-033	6/30/2016	9/1/2022	Microwave Network	661,314.26	550,824.91
16-034	6/30/2016	9/1/2021	Mobile Radios	56,920.50	45,274.19
16-035	7/19/2016	3/1/2019	IPads	90,765.00	53,439.32
16-036	8/9/2016	3/1/2022	ERP Software/Hardware - STAR Project	233,416.60	193,708.24
16-037	8/9/2016	9/1/2021	Golf Course Maintenance Equipment	141,239.60	114,495.70
16-038	8/31/2016	3/1/2022	ERP Software/Hardware - STAR Project	2,185,701.00	1,830,353.88
16-039	8/31/2016	3/1/2022	IT Storage and Hardware	77,513.95	64,911.87
16-040	8/31/2016	9/1/2019	IPads	51,971.20	35,465.53
16-041	8/31/2016	3/1/2023	Industrial Equipment	167,696.58	145,215.56
16-042	10/6/2016	9/1/2020	Computer Hardware Systems	54,798.69	40,573.60
16-043	10/6/2016	9/1/2023	ERP Software/Hardware - STAR Project	63,148.40	56,025.07
16-044	10/26/2016	9/1/2023	ERP Software/Hardware - STAR Project	209,800.00	187,398.49

Table IV-3—Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2017)

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
16-045	10/26/2016	9/1/2021	Call Center Software/Hardware System	\$ 195,931.25	\$ 169,844.08
16-046	12/2/2016	9/1/2023	ERP Software/Hardware - STAR Project	46,000.00	41,619.20
16-047	12/16/2016	9/1/2023	IT Storage and Hardware	1,909,997.00	1,736,547.69
16-048	12/29/2016	9/1/2019	Computer Systems	796,553.00	56,035.24
16-049	6/13/2016	3/1/2021	IT Storage and Hardware	158,038.76	134,683.56
16-050	8/31/2016	9/1/2021	Industrial Equipment	81,500.00	67,489.42
16-051	6/30/2016	9/1/2020	Computer Hardware Systems	562,655.11	466,976.29
17-002	1/25/2017	9/1/2020	IT Storage and Hardware	925,290.10	495,344.61
17-003	3/2/2017	9/1/2021	Trucks	300,471.00	270,433.88
17-006	5/3/2017	3/1/2024	Scale Truck Equipment	311,841.99	294,318.70
17-007	5/15/2017	9/1/2023	ERP Software/Hardware - STAR Project	31,600.00	30,324.33
17-008	3/2/2017	9/1/2021	Trucks	296,061.00	277,618.65
17-010	6/19/2017	3/1/2021	IT Storage and Hardware	214,433.50	203,742.43
17-011	6/20/2017	3/1/2024	Scale Truck Equipment	259,715.56	253,095.17
17-012	7/28/2017	3/1/2022	Golf Course Maintenance Equipment	147,688.00	147,688.00
17-013	7/28/2017	9/1/2017	Health Records System	394,895.88	394,895.88
17-014	7/28/2017	9/1/2023	Buses	1,163,386.00	1,163,386.00
17-015	8/29/2017	3/1/2023	IT Storage and Hardware	475,315.81	475,315.81
17-016	8/29/2017	3/1/2022	IT Storage and Hardware	2,976,088.39	2,976,088.39
17-017	11/17/2017	9/1/2025	Tractors	917,500.00	917,500.00
17-018	11/17/2017	9/1/2017	Health Records System	394,895.88	394,895.88
17-019	11/30/2017	9/1/2022	IT Mainframe	11,702,855.00	11,702,855.00
					<u>\$ 112,586,076.28</u>

Note: The principal balance of each Lease Schedule reflects amortization at an assumed fixed interest rate; during the period that a Lease Schedule is funded with proceeds from a revolving credit facility, interest accrues based on a variable interest rate. As a result, the principal balances included in this table may change slightly when reconciled to reflect actual accrued interest. Final reconciliation of the actual to the assumed interest rates occurs with the last scheduled Lease Payment.

SUMMARY OF THE MASTER LEASE

The following is a summary of certain provisions of the Master Lease.

Acquisition, Delivery, and Lease of Leased Items

The Master Lease establishes the process for acquiring property items and service items. It requires the State to provide written notice to the Lessor, identifying:

- The items it desires to lease
- The anticipated schedule for making Lease Payments
- The anticipated date or dates on which payments to acquire the Leased Item are due and payable

The notice must also confirm that the State expects that sufficient moneys will be available to pay the acquisition costs, as arranged solely by the State. The State (or the Lessor at the State's request) orders each Leased Item from the contractor selected by the State.

The State is responsible for selecting Leased Items, reviewing the terms of purchase, and arranging for the delivery, installation, testing, servicing, and maintenance of the Leased Items.

Upon delivery and any required installation of any Leased Item that is a property item, the State is required to inspect such item, and if it meets the State's specifications, then the State, before the end of the acceptance period agreed to by the contractor, must provide the Lessor with a certificate of acceptance. At the time the property item is accepted, the State will perfect a security interest therein in favor of the Lessor or any party to which such security interest is assigned with the State's consent. Before the commencement of service for a Leased Item that is a service contract, the State must provide the Lessor with a certificate of acceptance. Any Leased Items thus acquired become subject to the Master Lease, and upon acceptance, the State becomes obligated to make the Lease Payments.

Lease Term and Lease Termination

The Master Lease is in effect until all Lease Payments have been paid, unless the Master Lease is either extended or terminated earlier, as provided in the Master Lease. With respect to any Leased Item, the obligation to make Lease Payments begins:

- On the date of execution of the related Lease Schedule and the certificate of acceptance, or
- On the date that sufficient moneys are received in a particular fund from which the costs of Leased Items are to be paid.

Subject to appropriation, the State presently intends to keep the Master Lease in effect for its entire term and to make all Lease Payments. The State agrees that the appropriate budget requests for each fiscal year will include all Lease Payments coming due in the fiscal year. In the event an emergency arises that requires the State to draw vouchers for payments that will be in excess of available moneys and the Secretary of Administration establishes a priority schedule for payments under the Wisconsin Statutes (Statutes), the Secretary will give a high priority to Lease Payments due under the Master Lease.

In accordance with the Statutes, the continuance of the Master Lease beyond the limits of funds already available to the State is contingent upon appropriation of the necessary funds. Upon the occurrence in any fiscal year of a Nonappropriation (**Event of Nonappropriation**), the State has the right to terminate the Master Lease. Termination would affect all Leased Items and would be effective as of the last day of a fiscal year (that is, June 30th).

The State would still be obligated to make any Lease Payments due by the end of the fiscal year but would not be responsible for the payment of any Lease Payments scheduled to come due in any succeeding fiscal year. In the event of termination of the Master Lease based on an Event of Nonappropriation, if the Lessor requests, the State is required to deliver possession of all Leased Items to the Lessor and must convey to the Lessor, or release, its interest in all Leased Items.

With respect to any Leased Item, the respective Lease Schedule terminates when all Lease Payments relating to it are paid under the Lease Schedule or when the State terminates the Lease Schedule by paying the applicable purchase price for the Leased Item.

The Master Lease will terminate in its entirety (which will affect all Leased Items) if the State exercises its right to terminate upon the occurrence of an Event of Nonappropriation, or if the State defaults and the Lessor elects to terminate the Master Lease.

Insurance Requirements; Loss or Damage to Leased Items

The State is required to provide insurance coverage against certain risks, through its self-funded liability and property insurance programs, for which sum-sufficient appropriations are made under the Statutes. Insured risks include:

- Damage to, or destruction of, Leased Items
- Liability for injuries to or death of any person or damage to or loss of property related to use of the Leased Items
- The employer's costs for worker's compensation relating to use of the Leased Items

The State assumes all risks and liabilities for loss or damage to any Leased Item and for injury to or death of any person or damage to any other property arising from use of the property items or arising with respect to service items, to the extent such loss, damage, injury, death, or damage to other property is caused by acts committed by an officer or employee of the State while acting within the scope of employment or any agent of the State while acting within the scope of the agency.

If any Leased Item delivered to the State is lost, then the State is required to replace the item or pay the applicable purchase price for that Leased Item.

When the State pays the purchase price for any Leased Item, the Master Lease terminates with respect to such Leased Item and the State becomes entitled to such Leased Item, as is, where is, and without any warranty, except for any warranty from the contractor that provided the Leased Item.

Other Obligations

The Lessor has no responsibility for the use or maintenance of the Leased Items. The State is required to use all Leased Items carefully, properly, and lawfully. The State is required to maintain all Leased Items. The State is required to pay any charges assessed against Leased Items.

Rights in Leased Items; Security Interest

The Lessor does not have legal title to Leased Items that are property items. Legal title to all property items rests in the State. Should the Master Lease terminate due to an Event of Nonappropriation or an event of default under the Master Lease, the State is required to transfer to the Lessor its interest in all Leased Items.

The State has granted to the Lessor a first priority purchase-money security interest in Leased Items to secure the State's payment of all Lease Payments.

The Lessor has no responsibility in connection with the selection of the Leased Items or the contractors providing the Leased Items. The Leased Items and contractors are selected solely by the State.

The Lessor has no responsibility for the condition or usefulness of the Leased Items. The Leased Items are leased as is, where is, and without any warranty. The Lessor also is not responsible for any damages in connection with the use of the Leased Items.

Assignment, Mortgaging, and Selling

The Lessor may not, without the prior written consent of the State, assign its obligations under the Master Lease or its interest in the Leased Items or grant a security interest in or lien upon the Leased Items or enter into any financing for the Leased Items.

Option to Terminate Lease Schedule

Depending on the source of funding for the Lease Schedule, the State may have the option to terminate the Lease Schedule by depositing an amount equal to the applicable purchase price, which shall be either:

- An amount equal to the outstanding principal amount of the Lease Schedule, interest to the date of redemption of the source of funding, and any redemption premium, or
- If permitted, an amount sufficient to purchase investments maturing on such dates and in such amounts to pay the Lease Payments when due (or until the source of funding may be redeemed).

Events of Default and Remedies

Each of the following shall be an event of default under the Master Lease:

- Failure by the State to pay when due any Lease Payments and the continuation of such failure for five business days.
- Failure by the State to observe any covenant with respect to any Leased Item (other than a failure to make Lease Payments) for a period of thirty days after notice, unless the Lessor and the Trustee agree to an extension.

- Any representation or warranty by the State in the Master Lease was untrue in any material respect.
- An event of default shall have occurred and be continuing under the Master Indenture.

If by reason of *force majeure* the State is unable to carry out its obligations under the Master Lease with respect to any Leased Item (other than its obligation to make Lease Payments, which must still be paid when due), then the State shall not be deemed in default during the period of inability.

Whenever any event of default occurs, the Lessor has the right to take one or more of the following steps:

- The Lessor, with or without terminating the Master Lease, may declare all Lease Payments due or to become due during the fiscal year to be immediately due and payable.
- The Lessor, with or without terminating the Master Lease, may give the State written notice requiring the State to deliver all the Leased Items to the Lessor. If the State were to fail to return them within 30 days, then the Lessor may exercise all its legal rights to take possession of the Leased Items and to receive damages resulting from the State's failure. Even if the Lessor were to take possession of the Leased Items, the State would continue to be responsible for Lease Payments during the fiscal year. If the event of default were cured and the Master Lease had not been terminated with respect to such Leased Items, then the Lessor would be required to return the Leased Items to the State at the State's expense.
- If the Lessor were to terminate the Master Lease and take possession of Leased Items, then the Lessor would be required to attempt to sell the Leased Items in a commercially reasonable manner. The Lessor would be required to apply any proceeds of the sale in the following order: (1) all expenses incurred in securing possession of the Leased Items, (2) all expenses incurred in completing the sale, (3) any amounts payable to any party having a security interest in or lien against the Leased Items, (4) the applicable purchase price for the Leased Items, and (5) the balance of any Lease Payments due with respect to such Leased Items for such Fiscal Year. Any remaining proceeds of the sale would be paid to the State.
- The Lessor would be permitted to use any other remedy available at law or in equity with respect to such event of default.

If the Master Lease were terminated before all Lease Payments had been paid, then the Lessor may require the State to return the Leased Items.

SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture.

General

Pursuant to the Master Indenture, the Lessor has transferred to the Trustee without recourse (but also without limitation on its obligations under the Master Lease) all its right in the funds and accounts established under the Master Indenture, the Lease Schedules specified in supplemental indentures, and all Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease. Except as provided in the Master Indenture, all properties and rights received by, and moneys and investments held by, the Trustee under the provisions of the Master Indenture shall be held in trust for the benefit of the owners of the Certificates.

Funds and Accounts; Payments to be Deposited

The Master Indenture creates the following funds and accounts to be held and administered by the Trustee for each series of Certificates:

- Certificate Payment Fund (within which is an Interest Account, a Principal Account, and an Additional Rents Account),
- Project Fund (within which is a Project Account and an Earnings Account),

- Lease Payment Fund (within which is an Interest Account, a Principal Account, and an Additional Rents Account),
- Lease Payment Reserve Fund,
- Administrative Expense Payment Fund, and
- Insurance Fund.

The Trustee will deposit the proceeds from the issuance of a series of Certificates, net of the underwriters' discount as follows:

- If specified in the supplemental indenture providing for the issuance of that series, then the Trustee will deposit in the Principal Account and the Interest Account of the Certificate Payment Fund an amount to be used for the partial or complete redemption of one or more series of outstanding Certificates, and the Leased Items related with the redeemed Certificates will thereafter relate to the newly issued Certificates.
- If specified in the supplemental indenture, then the Trustee will pay to the Lessor the costs of acquiring Leased Items that have not been reimbursed.
- If specified in the supplemental indenture, then the Trustee will deposit in the Principal Account in the Lease Payment Fund the amount specified for payment or reimbursement of costs of issuance.
- If specified in the supplemental indenture, then the Trustee will deposit an amount in the Lease Payment Reserve Fund.
- The Trustee will deposit an amount into the Project Account of the Project Fund specified in the supplemental indenture.
- The Trustee will deposit the balance of the proceeds, if any, in the Lease Payment Fund.

Earnings on the Project Account of the Project Fund are transferred as received to the Earnings Account of the Project Fund. Moneys in the Earnings Account are transferred and used for payment of amounts due or coming due within 30 days, in the following order: (1) to the Interest Account of the Lease Payment Fund for retransfer to the Interest Account of the Certificate Payment Fund and (2) to the Administrative Expense Payment Fund.

To the extent moneys in the Earnings Account of the Project Fund exceed amounts payable as described above, the excess is deposited in the Project Account of the Project Fund.

Money available in the Project Account of the Project Fund will be disbursed to pay for the acquisition of additional Leased Items, as directed by the State.

Except as provided in the Master Indenture, any money remaining in the Project Account of the Project Fund on the date specified in the applicable supplemental indenture will be transferred by the Trustee to the Principal Account of the Lease Payment Fund, to be applied as a credit against the Lease Payments required to be paid by the State.

Upon any Event of Nonappropriation or upon an event of default under the Master Lease requiring the surrender of Leased Items, or upon any other termination of a Lease Schedule other than pursuant to the payment of all Lease Payments or the exercise by the State of its option to pay the purchase price, the Trustee is required immediately to transfer all amounts on deposit in the Project Account of the Project Fund to the Principal Account of the Lease Payment Fund.

On any day on which Certificates are to be paid or redeemed, the Trustee is required to transfer the aggregate amount on deposit in the Principal Account of the Lease Payment Fund for deposit into the Principal Account of the Certificate Payment Fund. On the date Certificates are to be redeemed in accordance with the Master Indenture as a result of deposit of moneys into the Principal Account of the Lease Payment Fund, the Trustee is required then to transfer the money for deposit into the Principal

Account of the Certificate Payment Fund. On the date that Certificates are to be redeemed due to the termination of a Lease Schedule as a result of an Event of Nonappropriation, and if funds have been transferred to the Principal Account of the Lease Payment Fund, the Trustee is required to transfer all amounts on deposit in such Principal Account for deposit into the Principal Account of the Certificate Payment Fund. On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Interest Account of the Lease Payment Fund (and, if necessary, from the Earnings Account of the Project Fund) for deposit into the Interest Account of the Certificate Payment Fund, an amount equal to the interest then due on the Certificates.

On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Lease Payment Reserve Fund to the Interest Account or the Principal Account of the Lease Payment Fund for a particular series of Certificates to the extent amounts on deposit in such Interest Account are insufficient to pay interest due on the Certificates of such series, or amounts on deposit in such Principal Account are insufficient to pay that portion of the principal of the Certificates of such series to be paid or redeemed. If at any time amounts on deposit in the Lease Payment Reserve Fund are less than the required amount, as adjusted from time to time as provided for in the Master Indenture, then the State, upon receiving notice of such deficiency from the Trustee, shall immediately pay the Trustee an amount equal to the deficiency.

The Trustee is enabled to bill the State semi-annually for all administrative expenses. If at any time the Trustee determines that payments deposited, or to be deposited, in the Administrative Expense Fund will be more or less than the expenses for the current Fiscal Year, then the Trustee is enabled to adjust the semi-annual billing. The Trustee shall disburse amounts from the Administrative Expense Fund to pay invoices rendered in accordance with the Master Indenture.

Except as provided in the Master Indenture, the Trustee is required to pay to the State any amount remaining in any Fund or Account after full payment (or redemption) of all Certificates outstanding and payment of any fees, expenses, or costs owing with respect to the Certificates or the Lease Schedules.

The Trustee is required to invest moneys it holds under the Master Indenture in **Qualified Investments**, to be selected at the direction of the State, giving consideration, however, to the times at which moneys are required to be disbursed under the Master Indenture and, in that connection, may place moneys in demand or time deposits with any bank or trust company authorized to accept deposits of public funds.

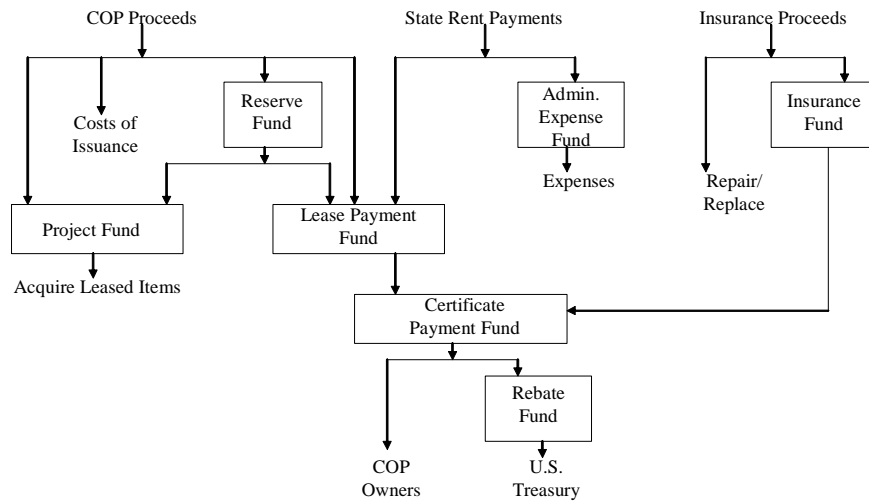
The following are Qualified Investments:

- Obligations of, or obligations guaranteed as to interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States.
- Federal Housing Administration debentures.
- Federal Home Loan Mortgage Corporation participation certificates.
- Farm Credit System consolidated system wide bonds and notes.
- Federal Home Loan Banks consolidated debt obligations.
- Federal National Mortgage Association senior debt obligations and mortgage-backed issues.
- Student Loan Marketing Association senior debt obligations and letter-of-credit-backed issues.
- Resolution Funding Corporation (**REFCORP**) debt obligations.
- Unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated the highest classification (without regard to any suffix or numerical order) by each of those agencies selected by the State to assign a credit rating to the Certificates or the Program (**Rating Agencies**).

- Certificates of deposit or time deposits constituting direct obligations of any bank, the full amount of which is insured by the Federal Deposit Insurance Corporation.
- Debt obligations, including prerefunded municipals, rated in either of the two highest classifications (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Commercial paper rated the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Securities issued by those investment companies registered under the Investment Company Act of 1940 commonly known as “money market funds” rated in the highest classification by each of the Rating Agencies that invest solely in securities which are otherwise Qualified Investments.
- Investments made through repurchase agreements with any transferor with debt or commercial paper rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies, *provided* that each repurchase agreement (1) is acceptable in form and substance to the State and the Trustee, (2) provides for the registration of title to certificated government obligations in the name of the Trustee or any agent of the Trustee and the physical transfer of certificated government obligations to the Trustee or to a custodial account in the name of the Trustee at a Federal Reserve Bank and for the registration of title to book-entry government obligations in the name of the Trustee, (3) provides that the government obligations acquired pursuant to such repurchase agreement shall be valued at least monthly at the lower of the then-current fair market value or the repurchase price in the applicable repurchase agreement (except that the Lease Payment Reserve Fund shall always be valued at the then current fair market value), and (4) is with any state or national bank or foreign bank with a United States branch or agency with short-term obligations rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Any stripped securities rated in the highest classification by each of the Rating Agencies, including, but not limited to, U.S. Treasury STRIPS and REFCORP STRIPS.
- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating from each of the Rating Agencies which is equal to or higher than the rating assigned to the Certificates by the Rating Agencies and the rating is in either of the two highest classifications (without regard to any suffix or numerical order) of each of the Rating Agencies.

The following chart depicts the sources and uses of the various funds.

**State of Wisconsin Master Lease Program
Master Indenture - Sources and Uses of Funds**



Servicing of Lease Schedules

The Lessor has agreed to service the Lease Schedules, and should the Lessor fail to do so, the Trustee has agreed to do so and to enforce their terms. At the time the State entered into the Master Lease and the Master Indenture, the Lessor and the Trustee were separate (but related) entities; now, as a result of successive corporate mergers, the Lessor and the Trustee are the same entity, serving in different capacities.

Events of Default and Remedies

The following shall constitute **Events of Default** under the Master Indenture:

- Any Event of Nonappropriation or event of default under the Master Lease or any Lease Schedule.
- Failure by the Lessor or the State to observe any covenant under the Master Indenture (other than an event specified above) for a period of 30 days after notice from the Trustee, the Lessor, or the owners of not less than 5% in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure cannot be corrected within the applicable period, then those parties may not unreasonably withhold their consent to an extension of such time if corrective action is instituted and diligently pursued.
- Any additional event designated as an Event of Default under any supplemental indenture.

If an Event of Nonappropriation or an Event of Default under the Master Lease were to occur and be continuing, then the Trustee would be required to cause the Certificates of all series to be redeemed pursuant to the Master Indenture, *pro rata*, to the extent money is available in the Lease Payment Fund. In addition, if an Event of Nonappropriation or an event of default were to occur and be continuing, then the Trustee may proceed, and upon written request of owners of not less than a majority in aggregate principal amount of Certificates then outstanding shall proceed, to take any of the remedial steps available under the Master Lease (including acceleration, if applicable) or whatever action at law or in equity may be necessary or appropriate to enforce its rights as assignee under the Master Indenture. All payments received by the Trustee with respect to the Trust upon an event of default, whether from the sale of Leased Items, damages, or otherwise, shall be applied by the Trustee, *first*, to its reasonable fees and expenses and *second*, to the Lease Payment Fund.

In the event that no action is taken to eliminate an event of default under the Master Lease, the owners of a majority in aggregate principal amount of the Certificates then outstanding may institute any suit, action, or other proceeding at law or in equity for the protection or enforcement of any right under the Master Lease or the Master Indenture, but only if such owners have first requested in writing that action be taken, have given a reasonable opportunity for such suit, action, or other proceeding to be instituted, and have offered reasonable indemnity against the costs, expenses, and liabilities to be incurred thereby.

Amendment

The Master Indenture, the Master Lease, or any Lease Schedule (**Operative Documents**) may be amended, or a supplemental indenture created, without the consent of any owners of Certificates, in order to provide for the issuance of a series of Certificates, to cure any ambiguity, to correct or supplement any provision in any of the Operative Documents that may be inconsistent with any provision in any other Operative Document, or to add any other provision with respect to matters or questions arising under any Operative Document if it is not inconsistent with the provisions of any Operative Document, *provided* that such action does not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of any owner of Certificates.

Any of the Operative Documents may also be amended from time to time with the consent of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates of any series affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Operative Documents, or of modifying in any manner the rights of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates; *provided, however*, that no amendment shall without the consent of the owners of all Certificates:

- Increase or reduce the amount of, or delay the timing of, or otherwise adversely affect, collections of payments under any Lease Schedule (other than modifications permitted under the Master Lease) or required to be made on any Certificate,
- Release any Lease Schedule or all or substantially all collateral securing a Lease Schedule, or
- Reduce the percentage required for consent to any amendment.

Limitation on Rights of Certificate Owners

No owner of a Certificate has any right to vote (except as provided in the Master Indenture) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties to any of the Operative Documents; nor shall anything set forth in the Master Indenture, or contained in the terms of the Certificates, be construed so as to constitute the owners of Certificate as partners or members of an association; nor shall any owner of a Certificate be under any liability to any third person by reason of any action taken by the parties to the Master Indenture pursuant to any provision of the Master Indenture.

No owner of a Certificate has any right by virtue of any provision of the Master Indenture to institute any suit, action, or proceeding at law or in equity under or with respect to the Master Indenture, unless:

- Such owner of a Certificate has previously given to the Trustee a written notice of an event of default and of the continuance thereof, as provided in the Master Indenture,
- The owners of not less than 25% of the aggregate outstanding principal amount of Certificates have made written request of the Trustee to institute such action, suit, or proceeding in its own name as Trustee under the Master Indenture and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby, and
- The Trustee, for 30 days after its receipt of such notice, request, and offer of indemnity, shall have neglected or refused to institute any such action, suit, or proceeding.