

PRELIMINARY OFFICIAL STATEMENT DATED MAY 15, 2019

New Issue

This Official Statement provides information about the Notes. 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.

\$53,800,000

STATE OF WISCONSIN

GENERAL OBLIGATION VARIABLE RATE DEMAND OBLIGATION NOTES OF 2019, SERIES A

Dated: Date of Delivery

Due: May 1, 2029

Ratings	Fitch Ratings S&P Global Ratings
Tax Exemption	Interest on the Notes is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax— <i>See pages 17-18.</i> Interest on the Notes is not exempt from current State of Wisconsin income or franchise taxes— <i>See page 18.</i>
Security	General obligations of the State of Wisconsin— <i>See page 2.</i>
Purpose	Note proceeds are being used for various general governmental purposes— <i>See page 13.</i>
Interest Rate	The Notes will initially be issued in the Alternative Trading System Mode with a Clearing Market Rate Period of seven days and will bear a variable rate of interest at the Clearing Market Rate. The Notes will remain in this mode until maturity or conversion— <i>See pages 3-4.</i>
Alternative Trading System	The Clearing Market Rate for each Rate Effective Date shall be established through an electronic bidding system platform referred to as the "Clarity BidRate Alternative Trading System[™]" or "Clarity"— <i>See pages 2-3 and APPENDIX E – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES.</i>
Interest Payment Dates	The first Business Day of each month commencing July 1, 2019.
Optional Tender	Noteholders shall have the option to tender their Notes on a Rate Effective Date, subject to and in accordance with the giving of notice as described herein and the procedures of the Alternative Trading System. The purchase price for Notes tendered for purchase will be the principal amount thereof, plus accrued interest— <i>See pages 5-6.</i>
Mandatory Tender	The Notes are subject to mandatory tender for purchase upon conversion of the Notes from the Alternative Trading System Mode to another Rate Mode, upon a Duration Conversion of the Notes to a Clearing Market Rate Period of greater than 28 days, upon expiration of the Self-Liquidity Standby Agreement without a substitution or if a Substitute Liquidity Facility is provided and Rating Confirmation with respect to such substitution has not been received from each Rating Agency rating the Notes (if Rating Confirmation is received, there will be no mandatory tender of the Notes), in the event of termination of the Self-Liquidity Standby Agreement by the State upon a default (described herein) and/or, at the State's option, on an Optional Redemption Date. The purchase price for Notes tendered for purchase will be the principal amount thereof, plus accrued interest— <i>See pages 6-7.</i>
Liquidity	Liquidity to pay the purchase price of the Notes that are tendered and not remarketed or are otherwise Contractual Bidder Notes will be provided by the Self-Liquidity Standby Agreement from the State, subject to certain limitations described herein. Certain limitations apply to the availability of the Self-Liquidity Standby Agreement provided by the State and prospective purchasers of the Notes should carefully review the provisions herein regarding the Self-Liquidity Standby Agreement— <i>See pages 8-9.</i>
Redemption	The Notes are subject to optional redemption on any Business Day— <i>See page 10.</i>
Denominations	\$100,000 and integral multiples of \$100,000 in excess thereof
Closing/Settlement	, 2019
Bond Counsel	Quarles & Brady LLP— <i>See page 17.</i>
Registrar/Paying Agent/Tender Agent	The Bank of New York Mellon Trust Company, N.A.
Issuer Contact	Wisconsin Capital Finance Office; (608) 267-0374; DOACapitalFinanceOffice@wisconsin.gov
Book-Entry System	The Depository Trust Company— <i>See pages 11-12.</i>
2018 Annual Report	This Official Statement incorporates by reference, and makes updates and additions to, Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2018.

The price listed below was determined on _____, 2019 at negotiated sale.

CUSIP	Due	Principal Amount	Price	Interest Rate
97705MMP7	May 1, 2029	\$53,800,000	100%	Clearing Market Rate; Initial Rate ____%

Siebert Cisneros Shank & Co., L.L.C.

, 2019.

THIS PRELIMINARY OFFICIAL STATEMENT, which is in a form "deemed final" by the State as of this date except for the omission of information described in Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934, IS SUBJECT TO REVISION, AMENDMENT, AND COMPLETION IN A FINAL OFFICIAL STATEMENT. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

This document is called the Official Statement because it is the only document the State has authorized for providing information about the Notes. This document is not an offer or solicitation for the Notes, 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. This Official Statement should be considered in its entirety. No one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports, or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter. Prospective investors should consult their advisors and legal counsel with questions about this document, the Notes, and anything else related to the offering.

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

Certain statements in this document are forward-looking statements that are based on expectations, estimates, projections, or assumptions. Forward-looking statements contained in this document are made as of the date hereof, 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.

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 Notes other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the Notes does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly incorporated.

The Notes will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

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STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF NOTES

BUILDING COMMISSION MEMBERS*

Voting Members

	Term of Office Expires
Governor Tony Evers, Chairperson	January 9, 2023
Representative Rob Swearingen, Vice Chairperson	January 4, 2021
Senator Jerry Petrowski	January 4, 2021
Senator Janis Ringhand	January 4, 2021
Senator Patrick Testin	January 4, 2021
Representative Mark Born	January 4, 2021
Representative Jill Billings	January 4, 2021
Ms. Summer Strand, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Member

Mr. Kevin Trinastic, State Ranking Architect Department of Administration	_____
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Building Commission Secretary

Ms. Naomi De Mers, Administrator Division of Facilities Development & Management Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration
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OTHER PARTICIPANTS

Mr. Joshua L. Kaul State Attorney General	January 9, 2023
Mr. Joel Brennan, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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

DOACapitalFinanceOffice@wisconsin.gov

Mr. David R. Erdman
Capital Finance Director
(608) 267-0374

Mr. Joseph S. Adomakoh III
Capital Finance Officer
(608) 267-7399

Ms. Katherine C. Miller
Capital Finance Officer
(608) 266-2305

* The Building Commission is composed of eight members. The Governor serves as the chairperson. Each house of the Wisconsin State Legislature appoints three members. State law provides for the two major political parties to be represented in the membership from each house. One citizen member is appointed by the Governor and serves at the Governor's pleasure.

SUMMARY DESCRIPTION OF NOTES

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

Description:	State of Wisconsin General Obligation Variable Rate Demand Obligation Notes of 2019, Series A
Principal Amount:	\$53,800,000
Maturity:	May 1, 2029
Denominations:	\$100,000 and integral multiples of \$100,000 in excess thereof
Date of Issue:	Date of delivery (on or about _____, 2019)
Interest Payment Dates:	The first Business Day of each month, commencing July 1, 2019
Interest Rate:	The Notes will initially be issued in the Alternative Trading System Mode with a Clearing Market Rate Period of seven days and will bear a variable rate of interest at the Clearing Market Rate.
Initial Rate:	____.____% per annum, effective from the issuance of the Notes through the following Wednesday, June 5
Maximum Rate:	9.00% per annum
Alternative Trading System:	The Clearing Market Rate for each Rate Effective Date shall be established through an electronic bidding system platform referred to as the "Clarity BidRate Alternative Trading System[TM]" or "Clarity," which bid process is described on APPENDIX E – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES . In order to have direct electronic trading access to Clarity, prospective holders must become "Subscribers" to Clarity by executing and delivering to the Market Agent a Subscriber Agreement, which is expected to be substantially in the form attached hereto as APPENDIX F – FORM OF SUBSCRIBER AGREEMENT . In addition to the information presented in this Official Statement concerning Clarity, more information regarding the Market Agent and Clarity can be found at http://www.claritybid.com . Such website is not maintained by the State and no information from such website is incorporated by reference in this Official Statement.
Market Agent:	Arbor Research & Trading, LLC
Bid Process Date/Submission Deadline:	12:30 p.m. New York City time every Wednesday, commencing Wednesday, June 5, 2019
Clearing Market Rate Period:	Initially a 7-day period starting on Thursday, May 30, 2019 through the following Wednesday, June 5, 2019, and each 7-day period thereafter from Thursday through Wednesday
Rate Determination Date:	Not later than 1:00 p.m. New York City time on the Business Day immediately preceding the commencement date of the Clearing Market Rate Period
Rate Effective Date:	The Business Day immediately following the Rate Determination Date. The Rate Effective Date is the first Business Day of a Clearing Market Rate Period.

Notice to Holder for Mandatory Tender:	<p><i>For a Conversion from the Alternative Trading System Mode to another Rate Mode</i> At least 10 calendar days prior to the Conversion.</p> <p><i>For a Duration Conversion to a Clearing Market Rate Period of greater than 28 days</i> At least 10 Business Days prior to the Duration Conversion.</p> <p><i>For a termination, substitution, or expiration of the Self-Liquidity Standby Agreement</i> At least 5 calendar days prior to the termination, substitution or expiration.</p> <p><i>At the State's Option</i> At least 10 calendar days prior to an Optional Redemption Date.</p>
Optional Redemption during Alternative Trading System Mode:	Any Business Day with 20 calendar days prior notice.
Form:	Book-entry-only— <i>See pages 11-12.</i>
Record Date:	The Business Day preceding each Interest Payment Date
Paying Agent:	All payments of principal of, and interest on, the Notes will be paid by the Paying Agent. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	The Notes are general obligations of the State of Wisconsin. As of April 1, 2019, general obligations of the State were outstanding in the principal amount of \$7,751,862,888.
Additional General Obligation Debt:	The State may issue additional general obligation debt— <i>See pages 15-16.</i>
Authority for Issuance:	The Notes are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.
Legality of Investment:	State law provides that the Notes are legal investments for all banks, trust companies, bankers, savings banks, insurance companies, insurance associations, savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking or insurance business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State, the state investment board, and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	<p>Interest on the Notes is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax—<i>See pages 17-18.</i></p> <p>Interest on the Notes is not exempt from current State of Wisconsin income or franchise taxes—<i>See page 18.</i></p>
Legal Opinion:	Validity and tax opinion for the Notes to be provided by Quarles & Brady LLP— <i>See APPENDIX D.</i>
2018 Annual Report:	This Official Statement incorporates by reference, and makes updates and

additions to, **Parts II and III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2018.

OFFICIAL STATEMENT
\$53,800,000
STATE OF WISCONSIN
GENERAL OBLIGATION VARIABLE RATE DEMAND OBLIGATION
NOTES OF 2019, SERIES A

INTRODUCTION

This Official Statement provides information about the \$53,800,000 General Obligation Variable Rate Demand Obligation Notes of 2019, Series A (**Notes**), which are being issued by the State of Wisconsin (**State**). This Official Statement includes by reference, and makes updates and additions to, **Parts II and III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2018 (**2018 Annual Report**).

The Notes are authorized under the Wisconsin Constitution and the Wisconsin Statutes, and are being issued pursuant to a program resolution (**Program Resolution**) and an authorizing resolution (**Authorizing Resolution**), each adopted by the State of Wisconsin Building Commission (**Commission**) on August 8, 2018 (**Resolution**).

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

The Commission has authorized the Department of Administration to prepare this Official Statement. Selected terms and provisions of the Program Resolution, along with certain capitalized terms used in this Official Statement, are summarized in **APPENDIX C**. Selected terms and certain provisions relating to the Alternative Trading System Mode and Clarity, along with certain capitalized terms used in this Official Statement related to the Alternative Trading System Mode, are set forth in **APPENDIX E**. This Official Statement contains information furnished by the State or obtained from the sources indicated.

While the Notes may in the future be converted from the Alternative Trading System Mode to a different mode, this Official Statement does not describe those other modes or terms specifically applicable to the Notes bearing interest at a rate other than the Alternative Trading System Mode. It is currently anticipated that if the Notes are converted to another Rate Mode, a remarketing memorandum or remarketing circular will be distributed describing said Rate Mode.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State, its financial condition, and its general obligation debt is included as **APPENDIX A**, which incorporates by reference Part II of the 2018 Annual Report. **APPENDIX A** also makes updates and additions to Part II of the 2018 Annual Report, including but not limited to:

- Estimated General Fund condition statement for the 2018-19 fiscal year and estimated General Fund tax collections for the 2018-19, 2019-20, and 2020-21 fiscal years, as included in a report provided by the Legislative Fiscal Bureau (**LFB**) on January 30, 2019 (**January 2019 LFB Report**).
- General Fund information for the 2018-19 fiscal year through March 31, 2019, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2018-19 fiscal year, which is presented on a cash basis.
- Information about the executive budget for the 2019-21 biennium.

For information regarding the State budgeting process and fiscal controls, see “**STATE BUDGETING PROCESS AND FISCAL CONTROLS**” herein.

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

Contact: State of Wisconsin Capital Finance Office
Department of Administration
Attn: Capital Finance Director
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
Phone: (608) 267-0374
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: doa.wi.gov/capitalfinance

THE NOTES

Description of the Notes

The Notes will be dated their date of original issuance and will initially be issued in the Alternative Trading System Mode with a Clearing Market Rate Period of seven days and will bear a variable rate of interest at the Clearing Market Rate determined as described in this Official Statement. The Notes will mature on the date and in the amount set forth on the cover page of this Official Statement. Interest on the Notes will be payable on the first Business Day of each month, commencing July 1, 2019 (each, an **Interest Payment Date**). Interest on the Notes shall be computed on the basis of a 365/366 day year for the actual number of days elapsed to the date the interest is due.

The Notes are issuable only as fully registered notes in authorized denominations of \$100,000 and integral multiples of \$100,000 in excess thereof (**Authorized Denomination**). Fully registered notes are interchangeable for other fully registered notes of the same maturity in Authorized Denominations upon the terms and conditions provided in the Resolution.

So long as Cede & Co. is the registered owner of the Notes, the principal, redemption price or Purchase Price of and interest on the Notes are payable by the Paying Agent or its successor, to Cede & Co., as nominee of DTC, which, in turn, is to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners as more fully described under “**THE NOTES—Book-Entry-Only Form**” herein.

Security

The Notes are direct and general obligations of the State. The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to make principal and interest payments on general obligations, and requires the Legislature to provide for their payment by appropriation. The Wisconsin Statutes establish, as security for the payment of all debt service on general obligations, a first charge upon all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated for the payment of the principal of, and interest on, general obligations, so that no subsequent legislative action is required to release such revenues. The Notes are secured equally with all other outstanding general obligations issued by the State.

Alternative Trading System

The Notes will be issued in the Alternative Trading System Mode. The initial rate shall be set by the Underwriter pursuant to the initial offering. Thereafter, the Clearing Market Rate on each Rate Effective Date shall be established through an electronic bidding system platform referred to as the "Clarity BidRate Alternative Trading System[™]" or "Clarity," which bid process is described on **APPENDIX E – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**. To have direct electronic trading access to Clarity, prospective holders must become "Subscribers" to Clarity by executing and delivering to the

Market Agent a Subscriber Agreement, which is expected to be substantially in the form attached hereto as **APPENDIX F – FORM OF SUBSCRIBER AGREEMENT**. See “**SUMMARY OF SUBSCRIBER AGREEMENT**” below and **APPENDIX F**. Arbor Research & Trading, LLC will be appointed as the initial Market Agent for the Notes to operate Clarity for the establishment of the Clearing Market Rates and to remarket the Notes while they trade in the Alternative Trading System Mode. See “**MARKET AGENT**” below.

Information provided herein regarding Clarity has been provided by Clarity and not the State. Such information may be subject to change without notice, and the State does not undertake any responsibility to update such information. The State has no control over Clarity, and the State is not responsible for a failure by Clarity to follow the procedures relating to Clarity set forth herein or in any Subscriber Agreement.

Interest on the Notes

The Notes shall bear interest in the Alternative Trading System Mode at the Clearing Market Rate established on each Rate Determination Date. The Clearing Market Rate will be determined through Clarity by no later than the Submission Deadline during such Clearing Market Rate Period. Certain provisions relating to Clarity and definitions for terms not defined below are set forth in **APPENDIX E – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES** hereto.

The initial interest rate shall be determined by the Underwriter in the initial offering and shall continue to, but shall not include, the immediately following Rate Effective Date. Thereafter, each Clearing Market Rate shall be established through an electronic bidding process and shall apply to the Clearing Market Rate Period commencing on each Rate Effective Date and continuing to, but excluding, the immediately following Rate Effective Date.

Clearing Market Rate Period. The Clearing Market Rate Period for the Notes will consist of each 7-day period from Thursday through the following Wednesday. The Clearing Market Rate Period for the Notes is subject to conversion to Clearing Market Rate Periods of a different number of days, so long as the number of days in the Clearing Market Rate Period is a multiple of seven (7), not to exceed 266 (e.g. 7, 14, 21....266) (see “**Conversion to Different Duration of the Clearing Market Rate Period**” below). In the event of a Conversion of the Notes to a Clearing Market Rate Period with a duration of more than twenty-eight (28) days, the Notes so converted will be subject to mandatory tender on the conversion date, and will be remarketed upon conversion.

Determination of Clearing Market Rates. Notes shall bear interest during each Clearing Market Rate Period at the Clearing Market Rate determined by Clarity. The Clearing Market Rate will be determined immediately following the Submission Deadline during such Clearing Market Rate Period. Certain provisions relating to Clarity are set forth in **APPENDIX E** hereto, and for the avoidance of doubt, the State may submit Bids for Notes on Clarity. The interest rate for the first Clearing Market Rate Period shall be determined by the Underwriter on or prior to the first day of such Clearing Market Rate Period and shall apply to the period commencing on the first day of such Clearing Market Rate Period and shall continue to, but shall not include, the immediately following Rate Effective Date. Thereafter, each Clearing Market Rate shall apply to the period commencing on each Rate Effective Date and continuing to, but excluding, the immediately following Rate Effective Date.

In the event an Existing Holder fails to submit Bid to Roll or Sell Orders on a Bid Process Date for the entire principal amount of Notes held by such Existing Holder, the Existing Holder shall have a Hold-Auto Order submitted on its behalf for a principal amount of Notes for which Orders by such Existing Holder have not been submitted, and the Hold-Auto Order will contain a rate equal to the rate set forth in the most recent Bid To Buy Order or Bid to Roll Order submitted by such Existing Holder, regardless of the principal amount of Notes set forth in such Bid To Buy Order or Bid to Roll Order, which resulted in an award of Notes to such Existing Holder. Clarity anticipates sending Existing Holders one or more notices that such Existing Holder has not submitted Orders on a Bid Process Date for the entire principal amount of Notes held by such Existing Holder, and that a Hold-Auto Order will be submitted unless the Existing Holder submits Orders for the entire principal amount of Notes held by such Existing Holder

prior to the Submission Deadline. Clarity and the State make no assurance that any such notice will be sent to Existing Holders, and will not be held liable in the event any such notice is not sent.

If the Clearing Market Rate determined by Clarity shall be held to be invalid or unenforceable by a court of law or if a Market Disruption Event occurs in connection with a Bid Process Date, then the interest rate for such Clearing Market Rate Period shall be equal to the Clearing Market Rate for the immediately preceding Clearing Market Rate Period.

Contractual Bidder Provisions

The State is acting as the Contractual Bidder for the Notes pursuant to the terms of an agreement contained in the Program Resolution for the benefit of the Beneficial Owners of the Notes, as supplemented by a Standby Note Purchase Agreement setting forth the detailed provisions and mechanics of such agreement (collectively, the **Self-Liquidity Standby Agreement**). Under the terms of the Self-Liquidity Standby Agreement, the State contractually agrees that on each Bid Process Date, other than in the event of a Liquidity Condition, it is deemed to have submitted a Bid To Buy Order for all Notes at the Highest Market Bid Rate, or if there is no Highest Market Bid Rate, at the All Sell Rate. The State's Bid To Buy Order on each Bid Process Date is an unconditional bid, other than in the event of a Liquidity Condition. In the event that on any Bid Process Date, no Bid To Roll, Hold-Auto or Bid To Buy Orders (other than any Bid To Buy Order deemed submitted by the Contractual Bidder) are submitted, then the Contractual Bidder is obligated to purchase all Notes, and the Clearing Market Rate shall be the All Sell Rate. In the event that on any Bid Process Date Subscribers (other than the Contractual Bidder) submit Bid To Buy Orders, Bid to Roll Orders or Hold-Auto Orders which, in the aggregate, are for a principal amount of Notes less than the principal amount of Notes shown on Clarity, then the Contractual Bidder is obligated to purchase a principal amount of Notes equal to the difference between (i) the principal amount of Notes shown on Clarity and (ii) the aggregate principal amount of Notes subject to Bid To Buy Orders from Subscribers (other than the Contractual Bidder), and the Clearing Market Rate shall be the Highest Market Bid Rate. Any Notes so purchased by the Contractual Bidder shall be "Contractual Bidder Notes". The Self-Liquidity Standby Agreement provides for the purchase of any Contractual Bidder Note that occurs as a result of the Bidding Procedures, except in the event of a Liquidity Condition.

Conversion to Different Duration of the Clearing Market Rate Period

In the event that the State shall elect to change the Duration of the Clearing Market Rate Period on the Notes, the State or the Paying Agent shall give notice by first-class or electronic mail of the proposed Duration Conversion to the Registered Owners of the Notes not less than ten (10) Business Days prior to the Duration Conversion Date. Such notice shall state: (i) that the Duration of the Clearing Market Rate Period on the Notes will be converted to the number of days specified in such notice on the Duration Conversion Date; (ii) the proposed effective date of the new Clearing Market Rate Period; (iii) if the Duration of the new Clearing Market Rate Period will exceed twenty-eight (28) days, that the Notes are subject to mandatory tender for purchase on such proposed Duration Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Notes; (iv) if the Duration of the new Clearing Market Rate Period will exceed twenty-eight (28) days, that the Liquidity Provider (if applicable) consents to the Duration Conversion; and (v) that the Duration Conversion is contingent upon Bond Counsel rendering a Favorable Opinion of Bond Counsel to the State, the Paying Agent, and the Market Agent as to such Duration Conversion on the Duration Conversion Date. A Duration Conversion to a Clearing Market Rate Period that does not exceed twenty-eight (28) days shall not constitute a Conversion within the meaning of the Program Resolution.

Notwithstanding anything in the Program Resolution, in connection with any proposed Duration Conversion of Notes, the State shall have the right to deliver to the Paying Agent, the Market Agent and the applicable Liquidity Provider, on or prior to 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such Duration Conversion, a notice to the effect that the State elects to rescind its election to implement any such Duration Conversion. If the State rescinds its election to implement any such Duration Conversion, then the Duration of the Clearing Market Rate Period shall

not be changed from the Duration in effect immediately prior to such proposed Duration Conversion. If notice of any such Duration Conversion to a new Clearing Market Rate Period exceeding twenty-eight (28) days has been mailed to the Registered Owners of the Notes to be converted, and subsequent thereto the State rescinds its election to implement such Duration Conversion, then the Notes to have been converted shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Duration Conversion.

No Duration Conversion to a new Clearing Market Rate Period exceeding twenty-eight (28) days shall take effect, in the case of any Duration Conversion with respect to which there shall be no Standby Agreement in effect to provide funds for the purchase of Notes on the Duration Conversion Date, unless any remarketing proceeds available on the Duration Conversion Date shall be sufficient to pay the Purchase Price of the Notes (unless the State, in its sole discretion, elects to transfer to the Paying Agent the amount of such insufficiency on or before the Duration Conversion Date).

If any condition to the Duration Conversion shall not have been satisfied, then the Duration Conversion shall not occur and the Duration of the Clearing Market Rate Period for the Notes shall not be changed from the Duration in effect immediately prior to such proposed Duration Conversion, but if the new Clearing Market Rate Period was to have exceeded twenty-eight (28) days the Notes shall continue to be subject to mandatory tender for purchase on the date that would have been the effective date of the Duration Conversion.

This Official Statement describes the Notes only during the Clearing Market Rate Period while the Notes bear interest at the Clearing Market Rate with a Duration of seven (7) days. This Official Statement does not purport to describe the Notes if Converted to a Clearing Market Rate Period with a Duration of more than seven (7) days, or if Converted to a different Rate Mode.

Registered owners of any Notes that are Converted will have no preferential right, and no obligation, to purchase the Notes so Converted.

Optional Tender

Any Note shall be purchased (in whole or in part in minimum Authorized Denominations) from its Existing Holder at the option of the Existing Holder on a Rate Effective Date, as provided herein, at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Payment Date immediately preceding the date of purchase to, but excluding, the date of purchase, unless the date of purchase shall be an Interest Payment Date in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds. In order to exercise its tender, an Existing Holder must submit a notice of tender through Clarity.

A notice of tender may be submitted through Clarity at or prior to 4:00 p.m., New York City time, on any day other than a Rate Determination Date, and will be treated as being submitted on such day. A notice of tender may be submitted through Clarity on a Rate Determination Date after the Rate Publication Time and at or prior to 4:00 p.m., New York City time, and will be treated as being submitted on the Rate Effective Date and such Note shall be purchased on the next succeeding Rate Effective Date. A notice submitted to the Tender Agent and Market Agent on a Rate Determination Date on or prior to the Rate Publication Time will be disregarded and void. Tendered Notes shall be treated as being subject to an automatic Sell Order on the next Bid Process Date following the deemed submission of the notice of tender. Tenders submitted through Clarity will settle on the Rate Effective Date immediately following the day the tender is deemed submitted. If Clarity is inoperable or if the Existing Holder is unable for any reason to effect a notice of tender directly on Clarity, notice of tender must be made by delivery of an irrevocable written notice, which states the principal amount to be purchased, to the Tender Agent and the Market Agent at their respective principal office for delivery of notices. If such a notice is submitted to the Tender Agent and Market Agent at or prior to 4:00 p.m., New York City time on any Business Day other than a Rate Determination Date, then the Note shall be purchased on the immediately succeeding Rate Effective Date. If a notice is submitted to the Tender Agent and Market Agent on a Rate Determination Date at or prior to 4:00 p.m., New York City time, the Tender shall be deemed to have

been received on the Rate Effective Date and the Note shall be purchased on the second succeeding Rate Effective Date.

Unless the Notes are registered through DTC, upon payment of the Purchase Price on the date specified in such notice, such Note must be delivered, at or prior to 1:00 p.m., New York City time, on the date specified in such notice, to the Tender Agent at its principal office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Registered Owner thereof or by the Registered Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender

Mandatory Tender for Purchase on Conversion Date. So long as no Liquidity Condition is in effect, the Notes are subject to mandatory tender and purchase at the Purchase Price on each Conversion Date; provided, however that a Duration Conversion to a Clearing Market Rate Period not exceeding twenty-eight (28) days shall not constitute a Conversion within the meaning of the Program Resolution.

Mandatory Tender for Purchase on Duration Conversion Date. So long as no Liquidity Condition is in effect, the Notes are subject to mandatory tender and purchase at the Purchase Price on each Duration Conversion Date to a Clearing Market Rate Period exceeding twenty-eight (28) days.

Mandatory Tender Upon Expiration or Termination of Standby Agreement. So long as no Liquidity Condition is in effect, the Notes are subject to mandatory tender and purchase at the Purchase Price (a) on a Business Day specified by the Tender Agent, at the direction of the State, which shall be not less than one Business Day prior to the substitution of a Standby Agreement (including assignments) or the Expiration Date of any Standby Agreement (which Standby Agreement will be drawn upon to pay the Purchase Price of unremarketed Tendered Notes), unless a substitution is occurring and Rating Confirmation has been received from each Rating Agency, or (b) on a Business Day specified by the Tender Agent, at the direction of the State but in any event not less than one Business Day prior to the Termination Date of a Standby Agreement relating to a series of Notes specified in the Default Notice delivered in accordance with the Standby Agreement. See **"Liquidity; Self-Liquidity Standby Agreement"** below.

Mandatory Tender for Purchase at the Option of the State. The Notes are subject to mandatory tender and purchase at the Purchase Price on any Optional Redemption Date, at the State's option, upon 10 days' Written Notice to Registered Owners, subject to the State's providing a source of payment therefor in accordance with the Authorizing Resolution. If notice of such mandatory tender has been given and funds prove insufficient, the applicable provisions of the Program Resolution shall apply as if a Conversion or a Duration Conversion to a Duration exceeding twenty-eight (28) days had been proposed.

Notice of Mandatory Tender. Whenever Notes are to be tendered for purchase upon Conversion, the Tender Agent shall give notice by first-class mail to the Registered Owners of the Notes to be Converted at least ten (10) calendar days prior to the Conversion Date. Such notice shall state: (i) the Conversion Date; (ii) that the Rate Mode shall not be Converted unless the State receives on the Conversion Date a Favorable Opinion of Bond Counsel; (iii) the name and address of the principal corporate trust offices of the Paying Agent and Tender Agent; (iv) that the Notes to be Converted shall be subject to mandatory tender for purchase on the Conversion Date at the Purchase Price; and (v) that upon the Conversion, if and to the extent that there shall be on deposit with the Tender Agent on the Conversion Date an amount sufficient to pay the Purchase Price of the Notes so Converted, such Notes not delivered to the Tender Agent on the Conversion Date shall be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right on behalf of the Registered Owner thereof to the payment of principal of or interest thereon and shall represent and constitute only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon from and after the Conversion Date.

Whenever Notes are to be tendered for purchase upon Conversion to a Clearing Market Rate Period of greater than 28 days, the State or the Paying Agent shall give notice by first-class or electronic mail of the proposed Duration Conversion to the Registered Owners (or, if the Registered Owner is DTC, in such manner as is required by DTC) of the Notes not less than ten (10) Business Days prior to the Duration Conversion Date. Such notice shall state: (i) that the Duration of the Clearing Market Rate Period on the Notes will be converted to the number of days specified in such notice on the Duration Conversion Date; (ii) the proposed effective date of the new Clearing Market Rate Period; (iii) that the Notes are subject to mandatory tender for purchase on such proposed Duration Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Notes; (iv) that the Liquidity Provider consents to the Duration Conversion; and (v) that the Duration Conversion is contingent upon Bond Counsel rendering a Favorable Opinion of Bond Counsel to the State, the Paying Agent, and the Market Agent as to such Duration Conversion on the Duration Conversion Date.

Whenever Notes are to be tendered for purchase upon substitution, expiration or termination of a Standby Agreement, the Tender Agent shall, not less than five calendar days prior to the Expiration Date or Termination Date, give notice by first-class mail to the Registered Owners (or, so long as the Registered Owner is DTC, in such manner as is required by DTC) of the affected Notes that such Notes are subject to mandatory tender.

If the Notes are subject to mandatory tender, the holders may not elect to retain their Notes.

Remarketing of Tendered or Unsold Notes; Purchase by State as Provider of Self-Liquidity Standby Agreement

The Market Agent shall, subject to the provisions of the Market Agent Agreement, offer for sale and use its best efforts to find purchasers (at par plus accrued interest, if any) for all Notes or portions thereof properly tendered or any unsold balances from the Bid Process using Clarity. The Market Agent shall cause the Purchase Price of all tendered or unsold Notes from the Bid Process that have been remarketed to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Purchase Date.

Promptly following 1:00 p.m., New York City time, on the Business Day immediately preceding the Purchase Date, the Market Agent shall notify the Tender Agent and the State, as Contractual Bidder, of the amount of tendered and/or unsold Notes which were remarketed and the amount of tendered and/or unsold Notes which were not remarketed, which amount will become Contractual Bidder Notes to be purchased by the State on the Purchase Date. If such notice indicates that any tendered and/or unsold Notes were not remarketed, the Tender Agent shall notify the Capital Finance Director of such fact not later than 2:30 p.m., New York City time on the Business Day immediately preceding the Purchase Date. Such notice shall include the amount of tendered and/or unsold Notes which were not remarketed and are to become Contractual Bidder Notes and the anticipated amount required to pay the Purchase Price of such Contractual Bidder Notes.

Not later than 10:30 a.m., New York City time, on the Purchase Date, the Market Agent shall notify the Tender Agent and the State, as Contractual Bidder, of the amount of tendered and/or unsold Notes which were not remarketed. If such notice indicates that any tendered and/or unsold Notes were not remarketed as of such time, the Tender Agent shall notify the Capital Finance Director of the final amount required to pay the Purchase Price of Contractual Bidder Notes not later than 11:30 a.m., New York City time, on the Purchase Date. Pursuant to the Program Resolution, the Capital Finance Director is required to provide by 2:00 p.m., New York City time on such date, sufficient money to the Tender Agent to pay the Purchase Price of the Notes which were not remarketed, subject to the limitations described below under "**Liquidity; Self-Liquidity Standby Agreement.**" If the Market Agent does not notify the Tender Agent of the amount of tendered and/or unsold Notes that were not remarketed by 10:30 a.m., New York City time, on the Purchase Date, as provided above, then the Tender Agent shall so advise the Market Agent by telephone, and, absent a response to the contrary from the Market Agent, the Tender Agent may deem all tendered and/or unsold Notes to have failed to be remarketed and shall request the purchase of all such

tendered and/or unsold Notes pursuant to the Self-Liquidity Standby Agreement not later than 11:30 a.m., New York City time, on the Purchase Date, as provided above.

If (i) there is a default in the payment of principal or interest payable on the Notes, (ii) the Self-Liquidity Standby Agreement is no longer in effect or (iii) any conditions set forth in the Market Agent Agreement to the performance of the Market Agent's obligation thereunder to remarket tendered and/or unsold Notes have not been satisfied, then the Market Agent will not remarket any Notes.

Liquidity; Self-Liquidity Standby Agreement

Liquidity to pay the Purchase Price of the Notes that are tendered and not remarketed, or are otherwise Contractual Bidder Notes, will be provided by the State pursuant to the terms of the Self-Liquidity Standby Agreement. The Program Resolution provides that the Self-Liquidity Standby Agreement constitutes an agreement or ancillary arrangement between the State and the Beneficial Owners of the Notes relating to the Notes within the meaning of Section 18.06(8)(a) of the Wisconsin Statutes. It is not anticipated that a liquidity facility will be provided by a third party. While the Notes are in the Alternative Trading System Mode, the State's agreement to purchase tendered Notes shall apply to the State's purchase of Contractual Bidder Notes.

The State has created a special fund or account within the Capital Improvement Fund of the State designated the "Self-Liquidity General Obligation Variable Rate Demand Obligation Purchase Fund" (the **Self-Liquidity Note Purchase Fund**). The Self-Liquidity Note Purchase Fund shall only be funded if and when necessary for the purchase of Notes from amounts available under the sum sufficient appropriations under Section 20.866 and Section 20.867 of the Wisconsin Statutes for that purpose. The Self-Liquidity Note Purchase Fund, when funded by such sum sufficient appropriations, shall be invested by the Secretary of Administration in the cash purchase of Notes the State has agreed to purchase pursuant to the Self-Liquidity Standby Agreement. During the period the Notes are subject to optional or mandatory tender, moneys then in the Self-Liquidity Note Purchase Fund shall be applied to purchase the Notes tendered for purchase but not remarketed by the Market Agent as of the close of business on the Business Day immediately preceding the Purchase Date. The State is not obligated to maintain any minimum balances in the Self-Liquidity Note Purchase Fund. While the source of funds for the Self-Liquidity Note Purchase Fund are sum sufficient appropriations of the State, no guarantee can be made that there will be sufficient moneys within the Self-Liquidity Note Purchase Fund when necessary for the purchase of Notes. See **"STATE BUDGETING PROCESS AND FISCAL CONTROLS."**

The Self-Liquidity Standby Agreement shall terminate and shall not be available for the purchase of the Notes tendered but not remarketed by the Market Agent in the event there occurs any failure to make timely payment of principal of, interest on or redemption premium, if any, required to be made on any general obligation indebtedness of the State, and such failure remains unremedied for more than five (5) days (a **Liquidity Condition**). The Self-Liquidity Standby Agreement shall expire and be no longer of effect following the final maturity of the Notes or the delivery of a Standby Agreement with a Liquidity Provider other than the State or if the State shall pay, or make provision for the payment of, all Notes.

On each Purchase Date, if the Market Agent has not successfully remarketed all of the Notes tendered for purchase on such Purchase Date or that are otherwise Contractual Bidder Notes, the State will, without the necessity of any further act or appropriation of the Legislature, purchase, or cause to be purchased, from the Tender Agent with moneys available pursuant to the appropriations under Section 20.866 and Section 20.867 of the Wisconsin Statutes for that purpose, in an amount equal to the principal amount of, and unpaid interest accrued through the day immediately preceding the Purchase Date for, the unremarketed Notes tendered for purchase on such Purchase Date. If the Self-Liquidity Note Purchase Fund has insufficient cash to make payment in full of the Purchase Price of unremarketed Notes, the State will take, or cause to be taken, such actions as may be necessary, including transferring funds from within the Capital Improvement Fund or other funds of the State from which the moneys to pay the Purchase Price are to be obtained, to ensure that on the Purchase Date with respect to such Notes there will be

sufficient cash in the Self-Liquidity Note Purchase Fund of the Capital Improvement Fund to pay in full the Purchase Price of all unremarketed Notes on such Purchase Date.

The Capital Improvement Fund and other funds of the State, including but not limited to the General Fund, are invested in the State Investment Fund by the State of Wisconsin Investment Board. As of March 31, 2019, the traded market value of the State Investment Fund was \$13.586 billion with an average life of approximately 23 days. The State Controller's Office, pursuant to a memorandum with the State Capital Finance Office, will provide notices to the State Investment Fund of any liquidity needed for purposes of immediate deposits into the Self-Liquidity Note Purchase Fund. Further information about the State of Wisconsin Investment Board and the State Investment Fund are included in Part II of the 2018 Annual Report. See **APPENDIX A**.

Neither the failure of the State to purchase any unremarketed Notes, to pay or remit any moneys or perform or observe any covenant, agreement or condition under the Self-Liquidity Standby Agreement nor any failure to remedy the same will constitute an event of default with respect to the payment of principal of, premium, if any and interest due on the Notes.

No purchase by the State of the Notes (or any interest therein) in accordance with the Self-Liquidity Standby Agreement will effect any discharge, extinguishment, payment, redemption or cancellation of such Notes (or any interest therein).

Any Notes purchased and held by or on behalf of the State in accordance with the Self-Liquidity Standby Agreement will constitute Contractual Bidder Notes and will bear interest (not exceeding the Maximum Rate). During the period the Notes are Contractual Bidder Notes, the State will be entitled to receive the payment of principal and interest on such Notes, as the same shall become due and payable.

The Capital Finance Director may enter into one or more liquidity facility agreements (each a **Substitute Liquidity Agreement**) which will require a financially responsible party or parties (a **Substitute Liquidity Provider**) to purchase all or any portion of the Notes tendered by the Holders thereof but not remarketed for purchase prior to maturity or Contractual Bidder Notes, as applicable (a **Substitute Liquidity Facility**). In the event the Capital Finance Director elects to provide a Substitute Liquidity Facility, the Notes shall be subject to mandatory tender on the Substitution Date unless a Rating Confirmation is received from each Rating Agency rating the Notes.

There can be no guarantee that a Substitute Liquidity Facility will be available in the future or what the terms of any Substitute Liquidity Facility will be.

The Program Resolution permits the State to replace a Liquidity Facility (including the Self-Liquidity Standby Agreement) with a Substitute Liquidity Facility with any other provider or providers so long as the Substitute Liquidity Facility meets all of the qualifications set forth in the Program Resolution. If a Rating Confirmation for the substitution has been received from each Rating Agency, there will be no mandatory tender of Notes upon such substitution. Any Substitute Liquidity Facility may have covenants, events of default, conditions to borrowing, and other provisions different from the current Liquidity Facility. The State will provide written notice to Noteholders at least 10 days prior to any substitution.

Inadequate Funds for Tenders

If sufficient funds are not available for the purchase of all Notes tendered or deemed tendered or otherwise required to be purchased by the Contractual Bidder on any Purchase Date, all of the Notes shall bear interest at the Maximum Rate, from the date of such failed purchase until all Notes are purchased as required in accordance with the Program Resolution.

Interest Rate Provisions for Contractual Bidder Notes

Contractual Bidder Notes shall bear interest at the Highest Market Bid Rate or the All Sell Rate. A Sell Order will be submitted on Clarity on each Bid Process Date for all Notes which are Contractual Bidder Notes, unless the Market Agent is directed otherwise by the Contractual Bidder.

Optional Redemption

The Notes are subject to optional redemption in whole or from time to time in part, in Authorized Denominations, without premium, on any Business Day.

Selection of Notes for Redemption

So long as the Notes are in book-entry-only form and less than all the Notes are to be redeemed, selection of the beneficial owners of the Notes affected thereby shall be made solely by the securities depository and its participants in accordance with their then prevailing rules.

Notice of Redemption

So long as the Notes are in book-entry-only form, a notice of the redemption of any of the Notes shall be sent to the securities depository not less than 20, and not more than 40, days prior to the date of redemption. A notice of redemption may be revoked by sending notice to the securities depository not less than 15 days prior to the proposed date of redemption.

Interest on any Note called for redemption shall cease to accrue on the redemption date provided payment thereof has been duly made or provided for.

Registration and Payment of Notes; Transfer and Exchange

So long as the Notes are in book-entry-only form, payment of the principal of, and interest on, the Notes on the payment date will be made by wire transfer to the securities depository or its nominee by the Paying Agent—which is The Bank of New York Mellon Trust Company, N.A.

So long as the Notes are in book-entry-only form, the Notes are transferable, only upon the books of the State kept for that purpose at the office of the Registrar, only in the event that the securities depository does not continue to act as securities depository for the Notes, and the Commission appoints another securities depository, upon surrender of the Notes to the Registrar, and thereupon a new fully registered Note in the same aggregate principal amount shall be issued to the new securities depository in exchange therefor.

If the Notes are not in book-entry-only form, then the Notes are transferable, only upon the books of the State kept for that purpose at the principal office of the Registrar, by the registered owner thereof in person or by such registered owner's attorney duly authorized in writing, upon surrender of the Notes together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such registered owner's attorney duly authorized in writing, and thereupon a new fully registered Note or Notes in Authorized Denominations in the same aggregate principal amount shall be issued to the transferee in exchange therefor and upon the payment of a charge sufficient to reimburse the State or the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such registration. The Registrar shall not be obliged to make any such transfer of the Notes (i) during the 15 calendar days preceding the date of sending notice, or the first publication of notice, of any proposed redemption or mandatory tender of the Notes, or (ii) with respect to any particular Note, after such Note has been called for redemption or mandatory tender.

The State and the Registrar may treat and consider the person in whose name a Note is registered as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon and for all other purposes whatsoever.

Book-Entry-Only Form

The Notes are being initially issued in book-entry-only form. Purchasers of the Notes will not receive note certificates but instead will have their ownership in the Notes recorded in the book-entry system.

Note certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the Notes. Ownership of the Notes 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 Notes must be made, directly or indirectly, through DTC Participants.

Payment

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

Notices and Voting Rights

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

Redemption

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

Discontinued Service

In the event that participation in DTC's book-entry system were to be discontinued without a successor securities depository being appointed, note certificates would be executed and delivered to DTC Participants.

Further Information

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

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

Redemption and Payment if Notes Are Not in Book-Entry-Only Form

In the event the Notes were not in book-entry-only form, how the Notes are redeemed and paid would differ.

Notes would be selected for redemption by lot. Any redemption notice would be published between 20 and 40 days before the date of redemption in a financial newspaper published or circulated in New York, New York. The notice would also be mailed, postage prepaid, between 20 and 40 days before the redemption date, to the registered owners of any Notes to be redeemed. The mailing, however, would not be a condition to the redemption; any proceedings to redeem the Notes would still be effective even if the notice were not mailed. A redemption notice could be revoked by publication of a notice at least 15 days before the proposed redemption date in a financial newspaper published or circulated in New York, New York. Any revocation notice would also be mailed, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Notes to have been redeemed. The mailing, however, would not be a condition to the revocation; the revocation would still be effective even if the notice were not mailed. Interest on any Note called for redemption would cease to accrue on the redemption date so long as the Note was paid or money was provided for its payment.

Payment of principal of any Notes and the Purchase Price of any Tendered Notes would be made by check mailed to each registered owner, or at the request of a registered owner, by wire transfer, upon the presentation and surrender of the Notes at the principal office of the Paying Agent, as designated by the Commission. Payment of interest due on the Notes would be made by check mailed to the registered owner shown in the registration book on the Record Date, or at the request of such registered owner by wire transfer, or on Purchased Notes by wire transfer.

MARKET AGENT

Under a Market Agent Agreement dated as of the date of issuance of the Notes (the **Market Agent Agreement**) between Arbor Research & Trading, LLC (the **Market Agent**) and the State, the Market Agent will be appointed as the initial Market Agent for the Notes to operate Clarity for the establishment of the Clearing Market Rates and to remarket the Notes while they trade in the Alternative Trading System Mode. (See **APPENDIX E – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES.**) The interests of the Market Agent may differ from those of existing holders and potential purchasers of the Notes.

SUMMARY OF SUBSCRIBER AGREEMENT

To have direct electronic access to Clarity, prospective holders must become "Subscribers" to Clarity by executing and delivering to the Market Agent a Subscriber Agreement, which is expected to be substantially in the form attached hereto as **APPENDIX F – FORM OF SUBSCRIBER AGREEMENT**. The following is a description of certain provisions of such form of Subscriber Agreement. This description is not to be considered a full statement of the terms of such form of Subscriber Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms used and not defined in this description are defined in **APPENDIX F**. See **APPENDIX F – FORM OF SUBSCRIBER AGREEMENT**.

Information provided herein regarding the Subscriber Agreement has been provided by Clarity and not the State. Subscriber Agreements may change from time-to-time without notice, and the State does not undertake any responsibility to update such information. The State is not responsible for a failure by the Market Agent or Clarity to use the form of Subscriber Agreement attached hereto as **APPENDIX F** or to follow the procedures set forth in the Subscriber Agreement.

Use of Services

In the Subscriber Agreement, the Market Agent grants the prospective holder party thereto (**Subscriber**) a personal, limited, nonexclusive, revocable, nontransferable and nonsublicenseable license to use, and allow Authorized Users to use, electronic access to Clarity (such access to Clarity, together with other services provided by Market Agent and specified in the Subscriber Agreement, collectively, the **Services**), subject to the conditions specified in the Subscriber Agreement.

Orders and Transactions

The Subscriber Agreement provides that Orders will be entered into Clarity as described in the Clarity Materials (as defined in the Subscriber Agreement). The Market Agent shall have no responsibility or liability for transmissions that are inaccurate or not received by Clarity, and the Market Agent may execute any transaction on the terms of any order actually received by Clarity. The Subscriber is solely responsible for ensuring the accuracy and completeness of each Order entered into Clarity.

Suspension of Trading; Erroneous Trades; Trading Limits

The Subscriber Agreement provides that the Market Agent may, in its reasonable sole discretion, upon reasonable notice where possible, halt or suspend trading on Clarity, halt or suspend activity in the Notes on Clarity or make modifications to Clarity. In addition, the Market Agent may modify the terms of or cancel an Order or a transaction executed through Clarity if the Market Agent determines, in its sole and reasonable discretion, that such transaction was clearly erroneous for any reason.

In the event of a Compromised Bid Process (as defined in the Subscriber Agreement), the Market Agent may, in its reasonable sole discretion, upon reasonable notice where possible, re-open the bid process as described in the Subscriber Agreement.

Term

The Subscriber Agreement will continue in effect until terminated by either party upon 30 days' prior written notice to the other party. Under certain circumstances described in the Subscriber Agreement, including events of insolvency and violation of applicable law or breach of the Subscriber Agreement or the Clarity Materials, either party may terminate the Subscriber Agreement at any time, effective immediately upon delivery by the terminating party of written notice to the other party. In addition, the Market Agent may, at any time and without delivery of prior written notice to the Subscriber, terminate or suspend the Market Agent's obligations under the Subscriber Agreement in whole or in part immediately under certain circumstances described in the Subscriber Agreement.

Secondary Market Liquidity

As described above, to purchase Notes a prospective holder is required to either become a Subscriber to Clarity or transact directly with the Market Agent; such requirement may limit the liquidity and marketability of the Notes.

APPLICATION OF NOTE PROCEEDS

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. **APPENDIX B** presents a summary of the borrowing purposes and the amounts both authorized for, and previously attributed to, each borrowing purpose from the proceeds of general obligations (including in some cases purchase premium and interest earnings). **APPENDIX B** also presents the borrowing purposes and amounts for which the Note proceeds have been authorized and are being used.

Note proceeds will be deposited in the State's Capital Improvement Fund and will be spent as the State incurs costs for the various borrowing or issuance purposes; until spent, the money will be invested by the State of Wisconsin Investment Board.

RATINGS

The following ratings have been assigned to the Notes:

<u>Rating</u>	<u>Rating Agency</u>
	Fitch Ratings
	S&P Global Ratings

Any explanation of what a rating means may only be obtained from the rating organization giving the rating. No one can offer any assurance that a rating given to the Notes will be maintained for any period of time; a rating organization 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 Notes. The State may elect not to continue requesting ratings on the Notes from any particular rating organization, or may elect to request ratings on the Notes from a different rating organization.

UNDERWRITING

The Notes are being purchased by Siebert Cisneros Shank & Co., L.L.C. (**Underwriter**).

The Underwriter has agreed, subject to certain conditions, to purchase from the State the Notes at an aggregate purchase price of \$ _____, reflecting an Underwriter's discount of \$ _____. The Underwriter's obligations are subject to certain conditions, and it will be obligated to purchase all the Notes if any Notes are purchased.

The Underwriter has agreed to reoffer the Notes at the public offering price set forth on the front cover. The Notes may be offered and sold to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than such public offering price, and such prices may be changed, from

time to time, by the Underwriter. The Underwriter may have entered into retail distribution agreements with third party broker-dealers, under which the Underwriter may distribute municipal securities to retail investors through the respective financial advisors or electronic trading platforms of such third party broker-dealers. As part of these arrangements, the Underwriter may share a portion of its underwriting compensation with such third party broker-dealers.

The initial interest rate shall be determined by the Underwriter in the initial offering, and thereafter, the rate shall be established through the electronic bidding process.

Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP.

The Underwriter and its affiliates include full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the course of their various business activities, the Underwriter and its affiliates, officers, directors, and employees may purchase, sell, or hold investments or other financial instruments for their own accounts and for the accounts of their customers. Such investment and trading activities may involve assets, securities, or other instruments of the State (directly, as collateral securing other obligations, or otherwise) or of others that have relationships with the State. The Underwriter and its affiliates may also communicate independent investment recommendations, market color, or trading ideas and may publish or express independent research views in respect of any such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long or short positions in such assets, securities, or instruments.

STATE BUDGETING PROCESS AND FISCAL CONTROLS

Executive Budget

The Governor delivered the 2019-21 biennial budget message and executive budget bill or bills to the Legislature on February 28, 2019. Pursuant to Wisconsin Statutes, the executive budget bill has been introduced by the Legislature's Joint Committee on Finance, without change, into the two houses of the Legislature. See **APPENDIX A** for additional discussion on the budgeting process and information and updates on the 2019-21 biennial budget, which also includes by reference Part II of the 2018 Annual Report.

Continuing Authority

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. Thus, 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. Once a newly enacted budget becomes effective, the continuing authority 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. 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 ten prior biennial budgets, the 2013-15, 2011-13 and 2009-11 biennial budgets were each enacted prior to the start of their respective biennia; however the 2015-17 biennial budget and each of the six biennial budgets prior to the 2009-11 were enacted after the start of their respective biennia, 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).

Fiscal Controls

No money shall be paid out of the State Treasury except as appropriated by law. 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-expenditure audit responsibility.

The budget can 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, then the Governor must call a special session to take up the matter.

The Secretary of Administration also has statutory power to order reductions in the appropriations of State agencies. 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. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal of, and interest on, State general obligation debt and any agreements or ancillary arrangements entered into under Section 18.06(a) of the Wisconsin Statutes relating to State general obligation debt have first priority and may not be prorated or reduced. Payments of principal and interest on the Notes and the sum sufficient appropriations funding the Self-Liquidity Note Purchase Fund would be included in this category.
- All direct and indirect payments of principal of, and interest on, operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.

All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

See [APPENDIX A](#) for additional discussion on the budgetary and cash fiscal controls of the Secretary of Administration, which includes by reference Part II of the 2018 Annual Report.

OTHER INFORMATION

Limitations on Issuance of General Obligations

General obligations issued by the State are subject to debt limits set forth in the Wisconsin Constitution and the Wisconsin Statutes. There is an annual debt limit of three-quarters of one percent, and a cumulative debt limit of five percent, of the aggregate value of all taxable property in the State. Currently, the annual debt limit is \$4,121,495,186, and the cumulative debt limit is \$27,476,634,575. Funding or refunding obligations are not subject to the annual limit but are accounted for in applying the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations.

As of April 1, 2019, general obligations of the State were outstanding in the principal amount of \$7,751,862,888. The issuance of the Notes will not cause the State to exceed its annual debt limit or its cumulative debt limit.

Borrowing Plans for Calendar Year 2019

General Obligations

The Notes will be the first series of general obligations to be issued in this calendar year. In addition, the Commission has authorized the issuance of the following general obligations:

- Up to \$263 million of general obligations for general governmental purposes. The State intends to issue these obligations in the form of fixed-rate bonds in the third quarter of calendar year 2019.
- Up to \$495 million of general obligations for the refunding of general obligation bonds previously issued for general governmental purposes. The amount and timing of any sale and issuance of general obligations for refunding purposes depend, among other factors, on market conditions.
- General obligations for the funding of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper notes, which were outstanding in the amount of \$406 million as of April 1, 2019. The amount and timing of any issuance of general obligations for this purpose depend on a decision to fund outstanding obligations bearing variable interest rates either with a different form of variable-rate obligations or with bonds bearing fixed interest rates.

Other Obligations

The State has issued one series of transportation revenue bonds in this calendar year in the par amount of \$156 million. Proceeds of this issuance were used for the financing of certain State transportation facilities and highway projects and to fund outstanding transportation revenue commercial paper notes. The Commission has authorized up to \$300 million of transportation revenue obligations to refund outstanding transportation revenue bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend, among other factors, on market conditions.

The State has issued one series of general fund annual appropriation refunding bonds in this calendar year for the refunding of outstanding general fund annual appropriation bonds. The par amount of this issuance is \$360 million, and reflected the forward delivery of obligations that were sold in October 2018. The State may sell and issue additional series of general fund annual appropriation refunding bonds in this calendar year, with the amount and timing of any issuances of such obligations depending on, among other factors, market conditions.

The State may sell and issue master lease certificates of participation in this calendar year, with such sale and issuance depending on, among other factors, market conditions and originations in the State's Master Lease Program.

The State does not currently intend to issue operating notes for the 2018-19 fiscal year.

Reference Information About the Notes

Information about the Notes is provided for reference on the **front cover** of this Official Statement. The CUSIP number for the Notes has been obtained from a source the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP number. The Underwriter has provided the reoffering price for the Notes.

Financial Advisor

PFM Financial Advisors, LLC has been engaged by the State to perform professional services in the capacity of financial advisor (**Financial Advisor**). The Financial Advisor has provided advice on the structure of the Notes, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the Notes by the Underwriter.

Legal Investment

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

- Banks, trust companies, bankers, savings banks, savings and loan associations, credit unions, investment companies, insurance companies, insurance associations, and other persons or entities carrying on a banking or insurance business.

- Personal representatives, guardians, trustees, and other fiduciaries.
- The State, the state investment board, all public officers, municipal corporations, political subdivisions, and public bodies.

Legal Opinion

Note Opinion

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

Quarles & Brady LLP has also been retained by the State to serve as Disclosure Counsel to the State with respect to the Notes. Although, as counsel to the State, Quarles & Brady LLP has assisted the State with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

Attorney General

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

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

Other Legal Matters

The State and its officers and employees are defendants in numerous lawsuits. The State does not expect that any pending litigation will be finally determined so as to result individually or in the aggregate in final judgments against the State that would materially affect the State's ability to pay the principal of and interest on the Notes.

Tax Exemption

Federal Income Tax

Bond Counsel will deliver a legal opinion with respect to the exclusion from gross income for federal income tax purposes applicable to the interest on the Notes under existing law substantially in the form as set forth in **APPENDIX D**.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to

above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

State of Wisconsin Income and Franchise Taxes

Interest on the Notes is not exempt from current State of Wisconsin income or franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a Note.

CONTINUING DISCLOSURE

The State has made an undertaking to enable brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934 (**Rule 15c2-12**). In the undertaking, the State has agreed for the benefit of the beneficial owners of the Notes, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By December 27 of each year, the State will send the report to the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. The State will also provide to the MSRB through its EMMA system notices of the occurrence of certain events specified in the undertaking.

The undertaking is included in **APPENDIX G**, which includes the State's Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), which has been amended in response to two new material events recently added to the list of events of which notice is required pursuant to Rule 15c2-12, Addendum Describing Annual Report for General Obligations, and form of Supplemental Agreement which applies the Master Agreement and Addendum to the Notes.

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

State of Wisconsin Capital Finance Office
Department of Administration
Attn: Capital Finance Director
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov
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 MSRB. In the last five years, the State has not failed to comply in any material respect with this, or any similar, undertaking.

Dated: _____, 2019

STATE OF WISCONSIN

Tony Evers
Governor

Joel T. Brennan
Secretary of Administration

Naomi De Mers, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin (**State**) and its general obligation debt, contained in [Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2018 \(2018 Annual Report\)](#), which can be obtained as described below. This Appendix also makes updates and additions to the information presented in Part II of the 2018 Annual Report, including, but not limited to:

- Estimated General Fund condition statement for the 2018-19 fiscal year and estimated General Fund tax collections for the 2018-19, 2019-20, and 2020-21 fiscal years, as included in a report provided by LFB on January 30, 2019 (**January 2019 LFB Report**).
- General Fund information for the 2018-19 fiscal year through March 31, 2019, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2018-19 fiscal year, which is presented on a cash basis.
- Information about the executive budget for the 2019-21 biennium.

[Part II of the 2018 Annual Report](#) contains general information about the State. More specifically, that part presents information about the following matters:

- State's revenue and expenditures
- State's operations, financial procedures, accounting, and financial reporting
- Organization of, and services provided by, the State
- Budget process and fiscal controls
- State budget (including results of fiscal year 2017-18 and projections for the 2018-19 fiscal year)
- Potential effects of litigation
- State obligations
- Employee pension funds and other post-employment benefits
- State Investment Board
- Statistical information about the State's population, income, and employment

The State's audited General Purpose External Financial Statements and independent auditor's report provided by the State Auditor for the fiscal year ended June 30, 2018, prepared in conformity with generally accepted accounting principles (**GAAP**) for governments as prescribed by the Governmental Account Standards Board, are included as Appendix A to Part II of the 2018 Annual Report.

[Part III of the 2018 Annual Report](#) contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligations (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligations and the portion of outstanding general obligations that is revenue supported.

The 2018 Annual Report was filed with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. The 2018 Annual Report along with the Comprehensive Annual Financial Report (**CAFR**) are 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:

doa.wi.gov/capitalfinance

Copies of the 2018 Annual Report may also be obtained from:

State of Wisconsin Department of Administration
Capital Finance Office
101 E. Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov

The State independently provided, from July 2001 to June 2013, monthly reports on general fund financial information. The State did not provide these monthly reports from June 2013 through March 2014, and the frequency of the reports provided during calendar years 2015 and 2016 was less than monthly. These reports are not required by any of the State's undertakings to provide information concerning the State's securities. These reports are available on the State's Capital Finance Office web site that is listed above and also were filed as additional voluntary information with the MSRB through its EMMA system; however, the reports are not incorporated by reference into this Official Statement or Part II of the 2018 Annual Report. The State is not obligated to provide such reports at any time in the future.

After publication and filing of the 2018 Annual Report, certain changes or events have occurred that affect items discussed in the 2018 Annual Report. Listed below by reference to particular sections of Part II of the 2018 Annual Report, are changes or additions to the discussions contained in those particular sections. When such changes occur, the State may or may not file notices with the MSRB. However, the State has filed, and expects to continue to file, informational notices with the MSRB, some of which may be notices that are not required to be filed under the State's undertakings.

State Budget; Budget for the 2018-19 Fiscal Year (Part II, Pages 36-37). Update with the following information:

May 2019 LFB Report

In May of odd-numbered years, LFB typically reviews tax collections to date and current economic forecasts to determine if adjustments to its reports typically released in January are required. If LFB continues that practice, such a review memorandum will then be filed with the MSRB through its EMMA system, and a copy will be available from the State as provided on pages A-1 and A-2.

January 2019 LFB Report – General Fund Condition Statement

The January 2019 LFB Report includes an estimated General Fund condition statement for the 2018-19 fiscal year. The table on the following page includes this updated General Fund condition statement for the 2018-19 fiscal year and shows a projected ending net balance of \$617 million.

The table on the following page also includes, for comparison, the General Fund condition statement from the January 2019 LFB Report, with comparisons to the actual fiscal year 2017-18 statement as reported in the Annual Fiscal Report, and the fiscal year 2018-19 General Fund condition statement estimates from the 2017-19 biennial budget (**2017 Wisconsin Act 59**) and the report provided by the Department of Administration on November 20, 2018 (**November 2018 DOA Report**).

The November 2018 DOA Report included an estimated 2018-19 fiscal year deposit into the Budget Stabilization Fund, reflecting revenue estimates in the 2018-19 fiscal year being higher than estimated in 2017 Wisconsin Act 59. A transfer is not included in the January 2019 LFB Report due to (i) lower General Fund tax collection projections and (ii) provisions of 2017 Wisconsin Act 368, which excludes increased sales tax collections under the Wayfair decision (remote sales tax).

ESTIMATED GENERAL FUND CONDITION STATEMENT
2018-19 FISCAL YEAR
(in Millions)

	FY 18 Annual Fiscal Report	FY19		
		2017 Wisconsin Act 59	November 2018 DOA Report	January 2019 LFB Report
Revenues				
Opening Balance	\$ 579.0	\$ 554.7	\$ 588.5	\$ 588.5
Prior Year Continuing Bal.	52.1	0	0	0
Taxes	16,144.2	16,650.9	16,816.0	16,673.9
Department Revenues				
Tribal Gaming	27.7	26.1	26.2	26.1
Other	<u>528.7</u>	<u>443.2</u>	<u>456.2</u>	<u>473.7</u>
Total Available	\$17,331.6	\$ 17,674.8	\$17,886.9	\$17,762.2
Appropriations				
Gross Appropriations	\$17,138.8	\$ 17,690.1	\$17,706.6	\$17,829.8
Current Session Bills	0	10.2	0	0
Transfers	73.3	41.6	124.2	41.6
Sum Sufficient Reestimates	0	0	(16.8)	(146.3)
Biennial Appropriation Adj.	0	0	0	(1.0)
Compensation Reserves	0.3	52.1	52.1	52.1
Less: Lapses	<u>(469.3)</u>	<u>(441.8)</u>	<u>(601.7)</u>	<u>(705.4)</u>
Net Appropriations	\$16,743.1	\$ 17,352.1	\$17,264.3	\$17,070.7
Balances				
Gross Balance	\$ 588.5	\$ 322.7	\$ 622.6	\$ 691.5
Less: Req. Statutory Balance	<u>n/a</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>
Net Balance, June 30	\$ 588.5	\$ 247.7	\$ 547.6	\$ 616.5

State Budget; Revenue Projections for the 2018-19 Fiscal Year (Part II, Pages 36-37). Update with the following information:

May 2019 LFB Report

In May of odd-numbered years, LFB typically reviews tax collections to date and current economic forecasts to determine if adjustments to its reports typically released in January are required. If LFB continues that practice, such a review memorandum will then be filed with the MSRB through its EMMA system, and a copy will be available from the State as provided on pages A-1 and A-2.

January 2019 LFB Report – General Fund Tax Collections

The January 2019 LFB Report also includes estimates of General Fund tax collections for the 2018-19 fiscal year, which are \$16.673 billion, or an increase of \$530 million (or 3.3%) from collections for the 2017-18 fiscal year, and a decrease of \$142 million from the November 2018 DOA Report.

The following table provides a summary of estimated General Fund tax collections for the 2018-19 fiscal year. For comparison purposes, the following are also provided; actual 2017-18 fiscal year General Fund tax collections as reported in the Annual Fiscal Report, and the estimated collections upon which 2017 Wisconsin Act 59 was enacted and as provided in the November 2018 DOA Report.

A complete copy of the January 2019 LFB Report is included at the end of this APPENDIX A. In addition, the State has filed the January 2019 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on pages A-1 and A-2.

ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2018-19 FISCAL YEAR
(in Millions)

	FY18 Annual Fiscal Report	FY19		
		2017 Wisconsin Act 59	November 2018 DOA Report	January 2019 LFB Report
Individual Income	\$ 8,479.2	\$ 8,720.0	\$ 8,817.8	\$ 8,640.0
Sales and Use	5,448.1	5,593.1	5,704.2	5,715.0
Corp. Inc. & Franch.	893.9	962.4	973.6	990.0
Public Utility	365.3	378.2	356.4	368.0
Excise				
Cigarettes	538.9	560.4	531.8	532.0
Tobacco Products	80.2	88.0	82.6	86.0
Liquor & Wine	52.0	53.0	54.3	54.0
Beer	8.9	8.8	8.9	8.9
Insurance Company	186.3	197.0	191.0	189.0
Miscellaneous Taxes	<u>91.4</u>	<u>90.0</u>	<u>95.4</u>	<u>91.0</u>
TOTAL	\$16,144.2	\$16,650.9	\$16,816.0	\$16,673.9

State Budget; Budget for the 2019-21 Biennium (Page II; Page 38). Update with the following information:

May 2019 LFB Report

In May of odd-numbered years, LFB typically reviews tax collections to date and current economic forecasts to determine if adjustments to its reports typically released in January are required. If LFB continues that practice, such a review memorandum will then be filed with the MSRB through its EMMA system, and a copy will be available from the State as provided on pages A-1 and A-2.

January 2019 LFB Report– General Fund Tax Collections

The January 2019 LFB Report also includes estimates of the General Fund tax collections for the 2019-20 and 2020-21 fiscal years. For the 2019-20 fiscal year, the January 2019 LFB Report anticipates General Fund tax collections of \$17.367 billion, or an increase of \$693 million (or 4.2%) from the 2018-19 fiscal year projections. The January 2019 LFB Report also anticipates General Fund tax collections of \$17.760 billion in the 2020-21 fiscal year, an increase of \$393 million (or 2.3%) from the 2019-20 fiscal year.

The following table provides a summary of estimated General Fund tax collections for the 2019-20 and 2020-21 fiscal years. For comparison purposes the following table also provides the estimated collections from the November 2018 DOA Report.

ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2019-20 AND 2020-21 FISCAL YEARS
(in Millions)

	2019-20 Fiscal Year		2020-21 Fiscal Year	
	DOA	LFB	DOA	LFB
	November 2018	January 2019	November 2018	January 2019
Individual Income	\$ 9,184.5	\$ 9,020.0	\$ 9,579.0	\$ 9,330.0
Sales and Use	5,913.4	5,955.0	5,922.0	6,000.0
Corp. Income & Franchise	974.9	1,050.0	1,000.6	1,075.0
Public Utility	364.4	369.0	363.2	371.0
Excise				
Cigarettes	533.1	527.0	531.7	523.0
Tobacco Products	85.3	90.0	87.7	94.0
Liquor & Wine	53.3	55.0	54.4	56.0
Beer	8.9	8.9	8.9	8.9
Insurance Company	195.7	195.0	205.1	200.0
Miscellaneous Taxes	<u>98.6</u>	<u>97.0</u>	<u>102.0</u>	<u>102.0</u>
TOTAL	\$17,412.1	\$17,366.9	\$17,854.6	\$17,759.9

A complete copy of the January 2019 LFB Report is included at the end of this Appendix A. In addition, the State has filed the January 2019 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on page A-1.

2019-21 Executive Budget

The Governor’s executive budget for the 2019-21 biennium was released on February 28, 2019. The Governor’s executive budget bill has been introduced in both houses of the Legislature and has been further referred to the Joint Committee on Finance for review. The Joint Committee on Finance has completed public hearings on the Governor’s executive budget for the 2019-21 biennium and on May 9, 2019 began executive sessions on the budget. Both detailed and summary information about the Governor’s executive budget for the 2019-21 biennium can be obtained from the following website:

<https://doa.wi.gov/Pages/StateFinances/2019-21-Executive-Budget.aspx>

In addition, the LFB has completed an initial review of the Governor’s executive budget for the 2019-21 biennium, and their summary can be obtained from the following website:

http://docs.legis.wisconsin.gov/misc/lfb/budget/2019_21_biennial_budget

The websites identified above are for the convenience of the reader only and are not incorporated by reference into this Official Statement. In addition, information on the Governor’s executive budget for the 2019-21 biennium and the LFB summary have been filed with the MSRB through its EMMA system, and additional information about the executive budget is available from the State as provided on pages A-1 and A-2.

The following table includes the estimated General Fund condition statement for the 2019-20 and 2020-21 fiscal years, as detailed in the Governor’s executive budget for the 2019-21 biennium.

**ESTIMATED GENERAL FUND CONDITION STATEMENT
2019-20 AND 2020-21 FISCAL YEARS**

(in Millions)

	<u>2019-20 Fiscal Year</u>	<u>2020-21 Fiscal Year</u>
	<u>Estimated</u>	<u>Estimated</u>
Revenues		
Opening Balance	\$ 691.5	\$ 937.9
Taxes	17,794.3	18,115.5
Department Revenues		
Tribal Gaming	27.4	28.3
Other	<u>497.6</u>	<u>521.5</u>
Total Available	\$19,010.8	\$19,603.2
Appropriations		
Gross Appropriations	\$18,453.5	\$19,821.2
Compensation Reserves	24.9	94.4
Transfers	10.0	0
Less: Lapses	<u>(415.5)</u>	<u>(417.6)</u>
Net Appropriations	\$18,072.9	\$19,497.9
Balances		
Gross Balance	\$ 937.9	\$ 105.3
Less: Req. Statutory Balance	<u>(80.0)</u>	<u>(85.0)</u>
Net Balance, June 30	\$ 857.9	\$ 20.3

General Fund Information; General Fund Cash Flow (Part II; Pages 44-57). The following tables provide updates and additions to various tables containing General Fund information through March 31, 2019 for the 2018-19 fiscal year, which are presented on either a cash basis or an agency-recorded basis. The following tables also include projections and estimates for the remainder of the 2018-19 fiscal year, reflecting the budget bill for the 2017-19 biennium (2017 Wisconsin Act 59) and the estimated General

Fund tax revenues in the LFB report dated January 17, 2018 (**January 2018 LFB Report**), the LFB paper dated June 18, 2018 (**June 2018 LFB Paper**), the November 2018 DOA Report, and the January 2019 LFB Report.

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 State can have a negative cash balance at the end of a fiscal year.

The Wisconsin 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 to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect and may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect.

If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

Table II-11; General Fund Cash Flow (Part II; Page 48). Replace with the following updated table.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2018 TO MARCH 31, 2019^{(a) (b)}
PROJECTED GENERAL FUND CASH FLOW; APRIL 1, 2019 TO JUNE 30, 2019^{(a) (b)}
(Cash Basis)
(Amounts in Thousands)

	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019
BALANCES^{(a)(b)}												
Beginning Balance	\$ 1,526,729	\$ 750,443	\$ 1,070,418	\$ 1,854,217	\$ 2,932,693	\$ 2,669,847	\$ 2,047,954	\$ 3,273,059	\$ 3,107,030	\$ 1,698,800	\$ 2,236,802	\$ 2,545,792
Ending Balance ^(c)	750,443	1,070,418	1,854,217	2,932,693	2,669,847	2,047,954	3,273,059	3,107,030	1,698,800	2,236,802	2,545,792	1,986,003
Lowest Daily Balance ^(c)	464,426	291,854	1,025,879	1,816,162	2,356,951	1,226,265	1,937,847	2,741,171	1,698,800	1,581,610	1,913,668	1,457,849
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$ 946,437	\$ 623,662	\$ 764,292	\$ 965,392	\$ 657,839	\$ 738,171	\$ 1,158,823	\$ 750,844	\$ 569,222	\$ 1,549,564	\$ 684,753	\$ 697,143
Sales & Use	563,067	535,268	530,238	545,064	513,684	482,228	575,691	419,587	400,161	495,298	490,660	548,359
Corporate Income	48,355	29,882	227,431	38,563	24,704	202,951	55,580	44,549	299,828	158,046	47,636	207,934
Public Utility	23	21	112	30,449	189,081	54	61	1	32	5,195	193,470	62
Excise	64,654	62,967	65,157	52,872	58,249	55,517	52,901	53,985	45,971	53,409	53,865	64,458
Insurance	210	3,979	40,143	366	2,457	41,536	2,701	24,798	14,251	41,344	5,289	40,127
Subtotal Tax Receipts	\$ 1,622,746	\$ 1,255,779	\$ 1,627,373	\$ 1,632,706	\$ 1,446,014	\$ 1,520,457	\$ 1,845,757	\$ 1,293,764	\$ 1,329,465	\$ 2,302,856	\$ 1,475,673	\$ 1,558,083
NON-TAX RECEIPTS												
Federal	\$ 889,356	\$ 938,015	\$ 1,063,793	\$ 788,053	\$ 831,957	\$ 705,921	\$ 864,250	\$ 825,535	\$ 926,562	\$ 601,821	\$ 788,454	\$ 741,476
Other & Transfers	496,251	349,670	700,462	602,067	324,345	341,322	606,172	624,059	458,383	532,561	438,226	582,228
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	\$ 1,385,607	\$ 1,287,685	\$ 1,764,255	\$ 1,390,120	\$ 1,156,302	\$ 1,047,243	\$ 1,470,422	\$ 1,449,594	\$ 1,384,945	\$ 1,134,382	\$ 1,226,680	\$ 1,323,704
TOTAL RECEIPTS	\$ 3,008,353	\$ 2,543,464	\$ 3,391,628	\$ 3,022,826	\$ 2,602,316	\$ 2,567,700	\$ 3,316,179	\$ 2,743,358	\$ 2,714,410	\$ 3,437,238	\$ 2,702,353	\$ 2,881,787
DISBURSEMENTS												
Local Aids	\$ 1,535,819	\$ 131,890	\$ 867,332	\$ 94,199	\$ 891,443	\$ 1,272,529	\$ 176,239	\$ 662,861	\$ 1,799,560	\$ 98,935	\$ 216,475	\$ 1,987,409
Income Maintenance	1,035,825	809,475	790,309	734,697	818,952	899,604	805,039	778,701	844,668	893,299	879,725	357,528
Payroll and Related	363,142	525,119	333,522	421,793	552,874	260,324	551,110	446,201	449,574	437,069	545,162	414,618
Tax Refunds	122,592	115,625	79,356	127,622	140,395	204,581	116,582	493,256	529,841	498,854	179,658	143,478
Debt Service	175,927	-	-	136,268	999	-	-	-	-	528,212	80,657	-
Miscellaneous	551,334	641,380	537,310	429,771	460,499	552,555	442,104	528,368	498,997	442,867	491,687	538,543
TOTAL DISBURSEMENTS	\$ 3,784,639	\$ 2,223,489	\$ 2,607,829	\$ 1,944,350	\$ 2,865,162	\$ 3,189,593	\$ 2,091,074	\$ 2,909,387	\$ 4,122,640	\$ 2,899,236	\$ 2,393,364	\$ 3,441,576

(a) The results, projections, or estimates in this table reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) along with agency reestimates, and the estimated General Fund tax revenues included in the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, and the January 2019 LFB Report. Temporary reallocations of cash are not included.

(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. These designated funds ranged from \$1.1 billion to \$1.8 billion during the 2016-17 and 2017-18 fiscal years, and are anticipated to range from \$1.1 billion to \$1.8 billion during the 2018-19 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds have averaged and are expected to continue to average approximately \$25 million during each fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund may be in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect with an additional amount up to 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation, based on the January 2019 LFB Report, in the 2018-19 fiscal year are approximately \$1.605 billion and \$531 million, respectively. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration.

Table II-12; Historical General Fund Cash Flow (Part II; Page 49). Replace with the following updated table.

HISTORICAL GENERAL FUND CASH FLOW ^{(a) (b)}
ACTUAL FISCAL YEARS 2014-15 TO 2017-18
ACTUAL AND PROJECTED FISCAL YEAR 2018-19
(Amounts in Thousands)

	Actual 2014-15 <u>Fiscal Year</u>	Actual 2015-16 <u>Fiscal Year</u>	Actual 2016-17 <u>Fiscal Year</u>	Actual 2017-18 <u>Fiscal Year</u>	Actual 7/1/2018 - 3/31/2019 Estimated 4/1/2019 - 6/30/2019
RECEIPTS					
Tax Receipts					
Individual Income	\$ 8,834,854	\$ 9,058,349	\$ 9,487,657	\$ 9,837,742	\$ 10,106,142
Sales	5,149,353	5,425,943	5,549,486	5,867,099	6,099,305
Corporate Income	1,167,126	1,173,106	1,151,868	1,070,879	1,385,459
Public Utility	373,082	404,820	415,784	416,406	418,561
Excise	705,796	710,742	708,762	689,653	684,005
Insurance	97,612	62,730	204,510	207,953	217,201
Total Tax Receipts	\$ 16,327,823	\$ 16,835,690	\$ 17,518,067	\$ 18,089,732	\$ 18,910,673
Non-Tax Receipts					
Federal	\$ 9,195,173	\$ 9,375,674	\$ 9,396,361	\$ 9,214,957	\$ 9,965,193
Other and Transfers	5,468,954	4,790,882	5,673,340	6,113,708	6,055,746
Total Non-Tax Receipts	\$ 14,664,127	\$ 14,166,556	\$ 15,069,701	\$ 15,328,665	\$ 16,020,939
TOTAL RECEIPTS	\$ 30,991,950	\$ 31,002,246	\$ 32,587,768	\$ 33,418,397	\$ 34,931,612
DISBURSEMENTS					
Local Aids	\$ 8,796,013	\$ 8,575,297	\$ 9,223,782	\$ 9,202,809	\$ 9,734,691
Income Maintenance	8,319,192	8,848,420	9,186,111	9,370,303	9,647,822
Payroll & Related	5,035,483	5,126,869	5,000,390	5,174,225	5,300,507
Tax Refunds	2,562,911	2,508,923	2,550,017	2,703,269	2,751,840
Debt Service	899,619	952,280	891,234	908,172	922,063
Miscellaneous	5,508,775	5,300,700	5,427,066	5,902,369	6,115,415
TOTAL DISBURSEMENTS	\$ 31,121,993	\$ 31,312,489	\$ 32,278,600	\$ 33,261,147	\$ 34,472,338
NET CASH FLOW	\$ (130,043)	\$ (310,243)	\$ 309,168	\$ 157,250	\$ 459,274

- (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 results, projections and estimates for the 2018-19 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) and the estimated General Fund tax revenues included in the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, and the January 2019 LFB Paper.

Source: Wisconsin Department of Administration.

Table II-13; General Fund Cash Receipts and Disbursements Year-to-Date Compared to Estimates and Previous Fiscal Year (Part II; Page 51). Replace with the following updated table.

**GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR ^(a)
(Cash Basis)
As of March 31, 2019
(Amounts in Thousands)**

	<u>2017-18 Fiscal Year through March 31, 2018</u>		<u>2018-19 Fiscal Year through March 31, 2019</u>				
	<u>Actual</u>		<u>Actual</u>	<u>Estimate ^(b)</u>	<u>Variance</u>	<u>Adjusted Variance ^(c)</u>	<u>Difference FY18 Actual to FY19 Actual</u>
RECEIPTS							
Tax Receipts							
Individual Income	\$ 6,873,404		\$ 7,174,682	\$ 7,227,936	\$ (53,254)	\$ (53,254)	\$ 301,278
Sales	4,398,431		4,564,988	4,564,632	356	356	166,557
Corporate Income	677,502		971,843	735,928	235,915	235,915	294,341
Public Utility	217,295		219,834	221,568	(1,734)	(1,734)	2,539
Excise	519,865		512,273	519,177	(6,904)	(6,904)	(7,592)
Insurance	122,394		130,441	125,212	5,229	5,229	8,047
Total Tax Receipts	\$ 12,808,891		\$ 13,574,061	\$ 13,394,453	\$ 179,608	\$ 179,608	\$ 765,170
Non-Tax Receipts							
Federal	\$ 7,286,021		\$ 7,833,442	\$ 7,436,430	\$ 397,012	\$ 397,012	\$ 547,421
Other and Transfers	4,672,366		4,502,731	4,791,163	(288,432)	(288,432)	(169,635)
Total Non-Tax Receipts	\$ 11,958,387		\$ 12,336,173	\$ 12,227,593	\$ 108,580	\$ 108,580	\$ 377,786
TOTAL RECEIPTS	\$ 24,767,278		\$ 25,910,234	\$ 25,622,046	\$ 288,188	\$ 288,188	\$ 1,142,956
DISBURSEMENTS							
Local Aids	\$ 7,079,887		\$ 7,431,872	\$ 7,491,979	\$ 60,107	\$ 60,107	\$ 351,985
Income Maintenance	7,375,582		7,517,270	8,243,037	725,767	725,767	141,688
Payroll & Related	3,915,517		3,903,659	3,828,243	(75,416)	(75,416)	(11,858)
Tax Refunds	1,831,111		1,929,850	1,887,175	(42,675)	(42,675)	98,739
Debt Service	331,839		313,194	352,121	38,927	38,927	(18,645)
Miscellaneous	4,473,184		4,642,318	4,602,524	(39,794)	(39,794)	169,134
TOTAL DISBURSEMENTS	\$ 25,007,120		\$ 25,738,163	\$ 26,405,079	\$ 666,916	\$ 666,916	\$ 731,043
2018-19 FISCAL YEAR VARIANCE YEAR-TO-DATE					\$ 955,104	\$ 955,104	

- (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 results, projections, and estimates for the 2018-19 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) and the estimated General Fund tax revenues included in the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, and the January 2019 LFB Paper.
- (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 the result is a large variance. This column includes adjustments, if any, to the variances to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration.

Table II-14; General Fund Monthly Cash Position (Part II; Page 52). Replace with the following updated table.

GENERAL FUND MONTHLY CASH POSITION ^(a)
July 1, 2016 through March 31, 2019 – Actual
April 1, 2019 through June 30, 2019 – Estimated ^(b)
(Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts ^(c)</u>	<u>Disbursements ^(c)</u>	
2016	July.....	\$ 1,060,311 ^(d)	\$ 2,365,368	\$ 3,571,989	
	August.....	(146,310) ^(d)	2,845,854	1,880,719	
	September.....	818,825	3,071,017	2,764,312	
	October.....	1,125,530	2,530,074	1,751,982	
	November.....	1,903,622	2,421,948	2,592,643	
	December.....	1,732,927	2,589,461	3,045,467	
	2017	January.....	1,276,921	2,942,209	1,808,524
		February.....	2,410,606	2,721,016	2,857,261
		March.....	2,274,361	2,688,376	3,934,216
		April.....	1,028,521	2,832,722	2,591,412
		May.....	1,269,831	2,581,512	2,004,233
		June.....	1,847,110	2,998,211	3,475,842
July.....		1,369,479	2,817,598	3,503,499	
August.....		683,578 ^(d)	2,213,505	2,122,310	
September.....		774,773	3,066,043	2,709,334	
October.....		1,131,482	3,015,806	1,894,354	
November.....		2,252,934	2,447,851	2,621,739	
December.....		2,079,046	2,643,697	3,169,822	
2018	January.....	1,552,921	3,275,821	1,883,523	
	February.....	2,945,219	2,867,326	2,880,688	
	March.....	2,931,857	2,419,631	4,221,851	
	April.....	1,129,637	3,381,659	2,728,707	
	May.....	1,782,589	2,751,853	1,927,755	
	June.....	2,606,687	2,517,607	3,597,565	
	July.....	1,526,729	3,008,353	3,784,639	
	August.....	750,443	2,543,464	2,223,489	
	September.....	1,070,418	3,391,628	2,607,829	
	October.....	1,854,217	3,022,826	1,944,350	
	November.....	2,932,693	2,602,316	2,865,162	
	December.....	2,669,847	2,567,700	3,189,593	
2019	January.....	2,047,954	3,316,179	2,091,074	
	February.....	3,273,059	2,743,358	2,909,387	
	March.....	3,107,030	2,714,410	4,122,640	
	April.....	1,698,800	3,437,238	2,899,236	
	May.....	2,236,802	2,702,353	2,393,364	
	June.....	2,545,792	2,881,787	3,441,576	

- (a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).
- (b) The results, projections, and estimates for the 2018-19 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) and the estimated General Fund tax revenues included in the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, and the January 2019 LFB Paper.
- (c) Operating notes were not issued for the 2016-17 or the 2017-18 fiscal years and are not anticipated for the 2018-19 fiscal year.
- (d) At some period during the month, the General Fund was in a negative cash position. The Wisconsin 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 to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect (approximately \$1.605 billion in the 2018-19 fiscal year) and may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$534 million in the 2018-19 fiscal year). If the amount of available to the General Fund is not sufficient, the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration.

Table II-15; Cash Balances in Funds Available for Temporary Reallocation (Part II; Page 53).
 Replace with the following updated table.

**CASH BALANCES IN FUNDS AVAILABLE FOR
 TEMPORARY REALLOCATION** ^{(a) (b)}

July 31, 2016 to March 31, 2019 — Actual
April 30, 2019 to June 30, 2019 — Projected ^(c)

(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation. The first table does not include balances in the Local Government Investment Pool (LGIP) and the second table does include such balances. Though the LGIP is available for temporary reallocation, 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 \$2.18 billion during November 2013 to a high of \$3.98 billion during August 2018. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

<u>Available Balances; Does Not Include Balances in the LGIP</u>				
<u>Month (Last Day)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
January		\$1,442	\$1,548	\$1,622
February		1,305	1,620	1,742
March		1,356	1,633	1,795
April		1,302	1,681	1,681
May.....		1,361	1,403	1,403
June.....		1,289	1,507	1,507
July	\$1,597	1,388	1,383	
August	1,481	1,464	1,429	
September.....	1,622	1,625	1,524	
October.....	1,420	1,532	1,304	
November.....	1,390	1,444	1,448	
December	1,683	1,592	1,667	
<u>Available Balances; Includes Balances in the LGIP</u>				
<u>Month (Last Day)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
January.....		\$5,115	\$5,205	\$5,641
February.....		5,050	5,457	5,991
March.....		5,289	5,699	6,317
April.....		4,901	5,462	5,462
May.....		4,600	4,906	4,906
June.....		4,461	5,028	5,028
July	\$5,803	5,461	5,781	
August.....	4,750	4,762	5,058	
September.....	4,663	4,865	4,670	
October.....	4,292	4,624	4,103	
November.....	4,120	4,256	4,527	
December	4,902	4,761	5,141	

- (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 amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and temporary reallocations were made from such fund.
- (c) The results and projections for the 2018-19 fiscal year, reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59), the estimated General Fund tax revenues included in the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, and the January 2019 LFB Report.

Source: Wisconsin Department of Administration.

Table II-16; General Fund Recorded Revenues (Part II; Page 55). Replace with the following updated table.

GENERAL FUND RECORDED REVENUES^(a)
(Agency-Recorded Basis)
July 1, 2018 to March 31, 2019 Compared With Previous Year

	Annual Fiscal Report Revenues <u>2017-18 Fiscal Year</u>^(b)	Projected Revenues <u>2018-19 Fiscal Year</u>^(c)	Recorded Revenues July 1, 2017 to <u>March 31, 2018</u>^(d)	Recorded Revenues July 1, 2018 to <u>March 31, 2019</u>^(e)
Individual Income Tax	\$ 8,479,150,000	\$ 8,719,966,000	\$ 5,295,818,632	\$ 5,399,399,369
General Sales and Use Tax	5,448,118,000	5,593,136,900	3,560,291,035	3,683,750,765
Corporate Franchise and Income Tax	893,892,000	961,795,000	442,503,288	731,537,993
Public Utility Taxes	365,343,000	378,200,000	186,403,304	194,517,853
Excise Taxes	679,979,000	710,200,000	453,383,548	452,131,431
Inheritance Taxes	(33,000)	-	-39,856	4,748
Insurance Company Taxes	186,273,000	197,000,000	122,675,561	133,872,547
Miscellaneous Taxes	91,445,000	90,000,000	263,817,096	261,846,267
SUBTOTAL	\$ 16,144,167,000	\$ 16,650,297,900	\$ 10,324,852,608	\$ 10,857,060,973
Federal and Other Inter- Governmental Revenues ^(f)	10,121,722,000	11,001,150,100	7,693,341,830	8,301,328,490
Dedicated and Other Revenues ^(g)	6,584,552,000	7,122,266,500	5,076,473,241	5,152,405,456
TOTAL	\$ 32,850,441,000	\$ 34,773,714,500	\$ 23,094,667,679	\$ 24,310,794,919

- (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 are from the Annual Fiscal Report (budgetary basis) for the 2017-18 fiscal year dated October 15, 2018.
- (c) The projections for the 2018-19 fiscal year (cash basis) reflect the 2017-19 biennial budget (2017 Wisconsin Act 59), but do not reflect the estimated General Fund tax revenues included in the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, nor the January 2019 LFB Report.
- (d) The amounts shown are the 2017-18 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in their monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
- (e) The amounts shown are the 2018-19 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
- (f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore, this category may not be comparable on a historical basis.
- (g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration.

Table II-17; General Fund Recorded Expenditures by Function (Part II; Page 57). Replace with the following updated table.

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION^(a)
(Agency-Recorded Basis)
July 1, 2018 to March 31, 2019 Compared With Previous Year

	Annual Fiscal Report Expenditures 2017-18 Fiscal Year^(b)	Appropriations 2018-19 Fiscal Year^(c)	Recorded Expenditures July 1, 2017 to March 31, 2018^(d)	Recorded Expenditures July 1, 2018 to March 31, 2019^(e)
Commerce.....	\$ 204,677,000	\$ 216,013,900	\$ 124,798,606	\$ 143,558,187
Education.....	13,568,444,000	14,045,685,600	9,962,478,058	10,237,393,912
Environmental Resources.....	333,501,000	329,414,100	108,134,864	100,613,380
Human Relations & Resources	14,770,671,000	14,955,387,100	11,150,414,002	11,688,251,088
General Executive.....	1,002,844,000	1,278,283,400	776,638,471	820,815,762
Judicial.....	140,080,000	144,334,000	105,458,941	110,061,214
Legislative.....	68,767,000	76,530,300	48,089,827	49,119,081
General Appropriations.....	2,596,485,000	2,775,383,400	2,254,337,698	2,418,896,388
TOTAL.....	\$ 32,685,469,000	\$ 33,821,031,800	\$ 24,530,350,466	\$ 25,568,709,013

- (a) The expenditures 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 are from the Annual Fiscal Report (budgetary basis) for the 2017-18 fiscal year dated October 15, 2018.
- (c) The estimates for the 2018-19 fiscal year (cash basis) reflect the 2017-19 biennial budget (2017 Wisconsin Act 59), but do not reflect the January 2018 LFB Report, the June 2018 LFB Paper, the November 2018 DOA Report, nor the January 2019 LFB Report.
- (d) The amounts shown are 2017-18 fiscal year expenditures as recorded by State agencies.
- (e) The amounts shown are 2018-19 fiscal year expenditures as recorded by State agencies.

Source: Wisconsin Department of Administration.

Table II-40; Unemployment Rate Comparison (Part II; Page 92). Replace with the following updated table.

Table II-40
UNEMPLOYMENT RATE COMPARISON ^{(a)(b)}
2013 To 2018

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>
January	3.4	4.5	4.2	5.1	4.7	5.3	5.5	6.1	6.5	7.0	7.8	8.5
February	3.8	4.4	4.4	4.9	5.0	5.2	5.7	5.8	6.9	7.0	7.9	8.1
March	3.6	4.1	3.9	4.6	4.8	5.1	5.3	5.6	6.6	6.8	7.5	7.6
April	3.0	3.7	3.2	4.1	4.2	4.7	4.6	5.1	5.5	5.9	7.1	7.1
May	2.7	3.6	3.0	4.1	3.7	4.5	4.5	5.3	5.3	6.1	6.5	7.3
June	3.5	4.2	3.6	4.5	4.4	5.1	4.9	5.5	5.7	6.3	7.1	7.8
July	3.2	4.1	3.4	4.6	4.0	5.1	4.5	5.6	5.4	6.5	6.7	7.7
August	2.9	3.9	3.3	4.5	3.8	5.0	4.1	5.2	5.1	6.3	6.4	7.3
September	2.4	3.6	2.7	4.1	3.4	4.8	3.7	4.9	4.4	5.7	5.9	7.0
October	2.4	3.5	2.5	3.9	3.3	4.7	3.7	4.8	4.3	5.5	5.9	7.0
November	2.5	3.5	2.6	3.9	3.3	4.4	4.0	4.8	4.5	5.5	5.9	6.6
December	<u>2.8</u>	<u>3.7</u>	<u>2.7</u>	<u>3.9</u>	<u>3.4</u>	<u>4.5</u>	<u>4.0</u>	<u>4.8</u>	<u>4.5</u>	<u>5.4</u>	<u>6.0</u>	<u>6.5</u>
Annual Average	3.0	3.9	3.3	4.4	4.0	4.9	4.6	5.3	5.4	6.2	6.7	7.4

^(a) Figures show the percentage of labor force that is unemployed and are *not seasonally adjusted*.

^(b) Historical information has been adjusted due to benchmarking through the Local Area Unemployment Statistics (LAUS).

Source: Department of Workforce Development and U.S. Bureau of Labor Statistics

Legislative Fiscal Bureau

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January 30, 2019

Senator Alberta Darling, Senate Chair
Representative John Nygren, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Darling and Representative Nygren:

Annually, this office prepares general fund revenue and expenditure projections for the Legislature.

In odd-numbered years, our report includes estimated revenues and expenditures for the current fiscal year and tax collection projections for each year of the next biennium. This report presents the conclusions of our analysis.

Comparison with the Administration's November 20, 2018, Report

On November 20, 2018, the Departments of Administration and Revenue submitted a report to the Governor and Legislature that identified general fund revenue and expenditure projections for the 2018-19 fiscal year and the 2019-21 biennium. That report, required by statute, identifies the magnitude of state agency biennial budget requests and presents a projection of general fund tax collections.

Our analysis indicates that for the three-year period, aggregate general fund tax collections will be \$282.0 million lower than those of the November 20 report (-\$142.1 million in 2018-19, -\$45.2 million in 2019-20, and -\$94.7 million in 2020-21).

Based upon the November 20 report, the administration's general fund condition statement for 2018-19 reflects a gross ending balance of \$622.5 million and a net balance (after consideration of the \$75.0 million required statutory balance) of \$547.5 million.

Our analysis indicates a gross balance of \$691.5 million and a net balance of \$616.5 million. This is \$69.0 million above that of the November 20 report. The 2018-19 general fund condition

statement is shown in Table 1.

TABLE 1
Estimated 2018-19 General Fund Condition Statement

	<u>2018-19</u>
Revenues	
Opening Balance, July 1	\$588,472,000
Taxes	16,673,900,000
Departmental Revenues	
Tribal Gaming	26,139,600
Other	<u>473,673,200</u>
Total Available	\$17,762,184,800
 Appropriations, Transfers, and Revenues	
Gross Appropriations	\$17,829,835,700
Sum Sufficient Reestimates	-146,290,600
Biennial Appropriation Adjustment	-1,100,000
Transfers to Transportation Fund	41,597,100
Compensation Reserves	52,081,600
Less Lapses	<u>-705,416,300</u>
Net Appropriations	\$17,070,707,500
 Balances	
Gross Balance	\$691,477,300
Less Required Statutory Balance	<u>-75,000,000</u>
Net Balance, June 30	\$616,477,300

The factors that cause the \$69.0 million difference are as follows. First, based on economic forecasts and tax collections to date, our estimated tax collections for 2018-19 are \$142.1 million lower than the projection of the November 20 report. The \$142.1 million is offset by increased estimated departmental revenues (non-tax receipts deposited into the general fund) of \$17.4 million and a reduction of net appropriations of \$193.7 million. The additional general fund balance of \$69.0 million for 2018-19 is displayed as follows (-\$142.1 million + \$17.4 million + \$193.7 million = \$69.0 million).

The net appropriation reduction of \$193.7 million is primarily due to two items. First, the November 20 report estimates that \$82.6 million will transfer from the general fund to the budget stabilization fund. We believe that this transfer will not occur. Second, our analysis projects that lapses to the general fund will be \$103.7 million greater than those of the administration.

Pursuant to s. 16.518 of the statutes, if actual general fund tax collections in any year exceed amounts listed in the biennial budget act, one-half of the additional amount is transferred to the budget stabilization fund. Under the 2018-19 tax collections estimate of the November 20 report, the

administration projects a transfer to the stabilization fund in that year of \$82.6 million. There are two reasons why our analysis indicates that there will be no transfer to the stabilization in 2018-19. First, our tax estimate for 2018-19 is lower than the November 20 report, which reduces the amount of any potential transfer. Second, under 2017 Act 368 (enacted after publication of the November 20 report), any amounts attributable to increased sales tax collections under the *Wayfair* decision are to be excluded from the determination of transfer to the stabilization fund. When these two factors are considered, the 2018-19 tax estimate is below the amount estimated when the 2017-19 budget was enacted. Thus, no amounts are projected to be transferred.

Under our analysis, lapses to the general fund in 2018-19 will exceed those of the November 20 report by \$103.7 million. The primary reasons for the additional lapse amount are as follows. First, the updated fund condition statement reflects an estimated GPR lapse from the Department of Health Services' medical assistance appropriations of \$212.7 million, which is \$63.7 million more than the lapse amount included in the administration's November 20 report. The current estimate is based on the Department of Health Services' MA quarterly status report to the Joint Committee on Finance from December, 2018. According to that report, MA GPR expenditures in the 2017-19 biennium are projected to be lower than the Act 59 budget by 3.5%.

Second, 2017 Act 370 (enacted subsequent to the November 20 report) directs that any unencumbered amount in the Fast Forward continuing appropriation of the Department of Workforce Development lapse to the general fund in 2018-19. It is estimated that \$21.7 million will lapse under this provision.

General Fund Tax Revenues

The following sections present information related to general fund tax revenues for 2018-19 and the 2019-21 biennium. This includes a review of the U.S. economy in 2018, a summary of the national economic forecast for 2019 through 2021, and detailed general fund tax revenue estimates for the current fiscal year and the next biennium.

Review of the National Economy in 2018

This office prepared updated revenue estimates for the 2017-19 biennium in January, 2018, based on the January, 2018, IHS Markit forecast for the U.S. economy. The forecast predicted real gross domestic product (GDP) growth of 2.7% in 2018 and 2.6% in 2019. The main drivers of growth were expected to be consumer spending and business investment. On the other hand, IHS Markit expected the trade deficit to be a drag on economic growth, due to an appreciating U.S. dollar and rising incomes boosting demand for foreign goods.

The January, 2018, IHS Markit forecast was based on the following assumptions. First, the federal Tax Cut and Jobs Act of 2017 (TCJA) was projected to generate a modest boost to real GDP growth of approximately 0.1 percentage points in 2018 and 0.2 percentage points in 2019. Second, the Federal Reserve would increase the federal funds rates by 75 basis points to 2.25% by the end of 2018, and by 50 basis points to 2.75% by the end of 2019. Third, the Brent oil price was projected to decrease from \$61 per barrel in the fourth quarter of 2017 to \$55 per barrel by the fourth quarter

of 2018. Fourth, the inflation-adjusted, trade-weighted value of the dollar for the broad index of U.S. trading partners would increase 1.5% throughout 2018 and reach a peak value in the first quarter of 2019, although still 1.3% below the 2016 average value. Finally, the real GDP of major-currency and other important U.S. trading partners would grow by 2.0% and 3.2%, respectively, in 2018.

The national economy grew slightly more than estimated. Real growth in U.S. GDP in 2018 is now estimated at 2.9%, which is 0.2 percentage points higher than previously estimated. Drivers of growth in 2018 included nonresidential fixed investment, which contributed 0.9 percentage points to real GDP growth, and consumer spending, which contributed 1.8 percentage points to GDP growth. Both grew by more than the January, 2018, forecast. National real GDP has now grown in 19 consecutive quarters, and in 35 of the 38 quarters since the 2008-2009 recession. If growth continues through July, 2019, the current economic expansion will have lasted ten years without an economic recession, which would be the longest period of economic expansion in U.S. history.

Consumer spending in 2018 grew by 4.8% (0.6 percentage points higher than previously estimated), supported by gains in personal income and the labor market. As forecast, nonfarm payroll employment grew by 1.6% and the unemployment rate for the year averaged 3.9%. Due to a strong employment market and growth in wages and salaries (4.4%), personal income grew as forecast by 4.4%. Consumer confidence remained high throughout the year as the University of Michigan's consumer sentiment index averaged 98.4, which is the highest measurement since 2000. Although predicted to decrease, overall light vehicle unit sales are now estimated to have remained flat. For the fourth straight year sales of trucks (7.2%) grew while sales of cars (-13.1%) declined. Light truck sales, including sport utility vehicles, vans, and pickup trucks, comprised 69% of total light vehicles sales.

Nonresidential fixed investment grew by 6.9% in 2018, comprised of growth in spending on equipment (7.3%), intellectual property products (7.3%), and structures (5.4%). Spending on equipment, including information processing equipment (9.3%) and transportation equipment (7.2%), was bolstered by immediate expensing provisions of the TCJA that provide additional tax incentives for investment. IHS Markit estimates that the TCJA will increase equipment spending by an average of 0.4 percentage points per year until the end of 2022 (when the expensing provisions begin to phase out, until they are scheduled to expire after 2026).

Business investment on structures spiked in the first half of 2018 (13.9% annualized growth in the first quarter and 14.5% in the second quarter) due to spending on mining and petroleum structures, which grew at an annual rate of 31.0% and 95.7% in the first and second quarters, respectively. IHS Markit had projected oil prices to decrease throughout 2018, however the opposite occurred. The average Brent spot price climbed from \$61.57 per barrel in the fourth quarter of 2017 to \$74.41 in the second quarter, before falling back to \$67.54 in the fourth quarter (which was slightly higher than the previous year). The increase in oil prices led to heavy investment in energy-related drilling structures in the first half of 2018, which supported business investment.

The housing market was somewhat disappointing in 2018 compared to the growth that had been forecast. The nominal dollar value of overall residential construction (5.4%), including construction of single family homes (5.6%) and multi-family units (-0.2%), grew by less than

anticipated. Overall, the market for single-family housing tightened, with the homeowner vacancy rate dropping to an 18-year low of 1.5%. The average prices for 1996-style houses increased 3.1% and new homes increased 0.8%. It is estimated that the number of sales of new homes and existing homes decreased by 0.6% and 3.5%, respectively. One factor slowing residential construction and sales may have been that homes were less affordable as interest rates increased throughout the year. The average 30-year fixed, conventional mortgage rates increased from 4.0% in 2017 to 4.5% in 2018. Further, several provisions of the TCJA reduced the tax preferences associated with home ownership, which may have impacted the market. These provisions include the \$10,000 deductibility limit on state and local taxes, such as property taxes, the \$750,000 limit on the mortgage amount for which interest payments may be deducted, and doubling the standard deduction, which erodes the value of itemizing deductions based on home ownership.

Trade policy diverged significantly than assumed in the baseline January, 2018, IHS Markit forecast. The Trump administration announced a series of tariffs and trade policies, including tariffs on solar panels, washing machines, steel, and aluminum imports from most countries, a 25% tariff on \$50 billion of goods from China, a 10% tariff on another \$200 billion of goods from China, and a renegotiation of the North American Free Trade Agreement. The 10% levy currently in place on \$200 billion of Chinese imports was set to rise to 25% effective in January, 2019, but the Trump administration announced in December, 2018, that the step-up would be delayed until early March, 2019, in order to allow for trade talks. Large shifts in the timing of sales of affected products occurred throughout the year, as buyers sought to complete their purchases prior to tariffs coming into effect. This caused large swings in imports, exports, and inventories. For example, on an annualized basis, real net exports declined \$103.7 billion in the third quarter following a second quarter surge of \$89.4 billion (of which a significant portion was due to soybean buyers changing the timing of their purchases to avoid impending tariffs). Overall, the real trade-weighted value of the dollar appreciated 2.4% in 2018 as trade tensions escalated.

Monetary policy tightened as the Federal Reserve raised its target for the federal funds rate four times in 2018 to a range of 2.25–2.50% (which is 25 basis points more than forecast in January, 2018). Further, the Federal Reserve began to unwind its "quantitative easing" program of purchasing large quantities of treasuries and mortgage-backed securities in order to drive down the term premium for holding a longer-term bond compared to the yield on a shorter duration bond. In 2018, the Federal Reserve's new policy is to allow up to \$50 billion worth of mortgage securities and treasuries it holds each month to mature without reinvesting the proceeds back into the marketplace. This is effectively the opposite of quantitative easing because bonds that mature enter the private market instead of being retained on the Federal Reserve's balance sheet. The new policy is expected to raise the yields demanded by buyers of longer-term bonds because additional bonds will be available for purchase in the marketplace. Thus the new policy has a similar effect to tightening interest rates.

In contrast to the relatively strong underlying economic indicators throughout 2018, financial conditions weakened by the end of the year. The stock market sharply declined in the fourth quarter, causing household holdings of corporate equities to decrease 16.8%, household financial assets to decrease 2.4% overall, and household real net worth to decrease by 1.9%. The University of Michigan's consumer sentiment index fell from 98.3 in December, 2018, to 90.7 in January, 2019,

the lowest monthly reading in more than two years. Various factors may also be affecting markets, including a slowdown in global growth, ongoing uncertainty about trade policy, and the partial federal government shutdown.

National Economic Forecast

Under the January, 2019, forecast, IHS Markit predicts real GDP growth of 2.5% in 2019, 2.0% in 2020, and 1.5% in 2021. The recent declines in equity values, wider corporate risk spreads, and the general strengthening of the dollar on a broad, trade-weighted basis have translated into less favorable financial conditions for growth in 2019. However, a recession is not part of the baseline forecast. Consumer spending and nonresidential fixed investment are expected to continue driving growth, although at a slower pace than in 2018.

The 2019 forecast is based on the following key assumptions. First, the forecast assumes that the 2018 tariffs will be maintained in 2019 and 2020 at the current levels on solar panels, washing machines, steel, aluminum, and on Chinese goods. That is, it is assumed that the 10% tariff on \$200 billion of Chinese imports will not increase to 25% in March, 2019. Second, the Federal Reserve will raise the target range for the federal funds rate by 25 basis points in both May and October, 2019, and in June 2020, bringing the upper end of the range to 3.25%. Third, global growth slows as the real, broad, trade-weighted growth of foreign GDP slows from 3.1% in 2017 to 2.7% in 2018, then averages 2.4% through 2022. Fourth, the price of Brent crude oil is projected to fall from \$71 per barrel in 2018 to \$65 in 2019, before rising to \$73 in 2022. Fifth, the impact of the federal government shutdown is not reflected in this forecast, which was developed assuming a shutdown would be avoided or brief in duration. Due to government services not being produced by furloughed employees, IHS Markit estimates that each week of the shutdown would have a negative impact on real GDP of \$3.5 billion, as measured by the estimated real compensation of furloughed employees.

The 2019 forecast is summarized in Table 2, which reflects IHS Markit's January, 2019, baseline outlook. Selected baseline projections are presented in more detail below, with alternative optimistic and pessimistic scenarios discussed thereafter.

TABLE 2

**Summary of National Economic Indicators
IHS Markit Baseline Forecast January, 2019
(\$ in Billions)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Nominal Gross Domestic Product	\$20,502.9	\$21,476.7	\$22,430.7	\$23,341.5
Percent Change	5.2%	4.7%	4.4%	4.1%
Real Gross Domestic Product	\$18,574.1	\$19,034.9	\$19,410.2	\$19,699.3
Percent Change	2.9%	2.5%	2.0%	1.5%
Consumer Prices (Percent Change)	2.4%	2.0%	2.5%	2.5%
Personal Income	\$17,564.9	\$18,341.2	\$19,174.7	\$19,988.2
Percent Change	4.4%	4.4%	4.5%	4.2%
Nominal Personal Consumption Expenditures	\$13,956.4	\$14,569.8	\$15,230.3	\$15,870.5
Percent Change	4.8%	4.4%	4.5%	4.2%
Economic Profits	\$2,266.8	\$2,374.2	\$2,424.3	\$2,481.0
Percent Change	8.0%	4.7%	2.1%	2.3%
Unemployment Rate	3.9%	3.6%	3.7%	3.9%
Total Nonfarm Payrolls (Millions)	149.0	151.0	152.5	153.3
Percent Change	1.6%	1.4%	1.0%	0.5%
Light Vehicle Sales (Millions of Units)	17.15	16.77	16.60	16.48
Percent Change	0.0%	-2.2%	-1.0%	-0.8%
Sales of New and Existing Homes (Millions of Units)	5.952	6.030	6.437	6.494
Percent Change	-3.2%	1.3%	6.8%	0.9%
Housing Starts (Millions of Units)	1.262	1.275	1.380	1.430
Percent Change	4.4%	1.1%	8.2%	3.6%

Business Investment. IHS Markit forecasts that growth in nominal, non-inflation adjusted, nonresidential fixed investment peaked in 2018 at 8.2% and will continue to grow by 5.7% in 2019, 4.5% in 2020, and 4.1% in 2021, albeit at a slower pace than the previous two years. The financial stress from the fourth quarter of 2018 and the elevated trade-policy uncertainty are expected to weigh on business expansion plans in the short term. Growth in nominal investment in nonresidential structures is expected to decline from 9.0% in 2018 to 5.9% in 2019, and show relatively stable growth of 5.7% in 2020 and 5.9% in 2021, mostly because recent declines in domestic oil prices are expected to reduce nominal investment in petroleum and mining structures from a peak of 32.1%

growth in 2018 to 5.2% in 2019, 1.4% in 2020, and 4.1% in 2021. Growth in nominal investment in equipment is expected to slow from 7.4% in 2018 to 4.5% in 2019, 3.4% in 2020, and 3.0% in 2021 for similar reasons. Likewise, nominal investment in intellectual property products is expected to slow from 8.5% growth in 2018 to 7.1% in 2019, 5.1% in 2020, and 4.5% in 2021.

Corporate Profits. Corporate before-tax book profits grew 0.3% in 2018. IHS Markit forecasts growth of 5.3% in 2019, 3.6% in 2020, and 3.1% in 2021. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost (and thus are not affected by federal tax laws), increased by 8.0% in 2018 and are forecast to increase by 4.7% in 2019, 2.1% in 2020, and by 2.3% in 2021.

The forecast reflects that the TCJA reduced the federal statutory corporate tax rate from 35% to 21%, extended bonus depreciation by five years (followed by a three-year phase-out period), and provided additional tax deductions for certain pass-through business income. The 2019 forecast assumes that the effective federal corporate tax rate for all industries dropped from 13.4% in 2017 to 7.3% in 2018, before rising to 10.5% in 2019, 10.6% in 2020, and 10.8% in 2021.

Personal Income. Personal income is forecast to grow by 4.4% in 2019, 4.5% in 2020, and 4.2% in 2021, supported by strong employment levels, greater hours worked, and wage and salary gains (4.2% in 2019, 4.6% in 2020, and 4.4% in 2021). Household real net worth is expected to rebound (5.9%) in 2019 as household holdings of corporate equities recover (20.5%) from their sharp fall in the fourth quarter of 2018. IHS Markit estimates that real disposable income growth will slow from 2.8% in 2018 to 2.7% in 2019, 2.3% in 2020, and 1.9% in 2021 as job growth slows and the fiscal stimulus of the tax cuts under the TCJA fade. Because projected income growth is in line with projected consumption expenditures, the personal savings rate is expected to hold steady at 6.5% in 2019 and 2020 and slightly decrease to 6.4% in 2021.

Personal Consumption. Despite recent turmoil in financial markets, IHS Markit estimates that nominal personal consumption expenditures (PCE) will grow 4.4% in 2019, 4.5% in 2020, and 4.2% in 2021, supported by growth in wages and salaries and disposable income. Sales of consumer items generally subject to the state sales tax (such as most durable goods, clothing, restaurant meals and accommodations, and certain services) grew by an estimated 4.8% in 2018 and are forecast to grow by 4.3% in 2019, 4.1% in 2020, and 3.3% in 2021. After growing by 12.7% in 2018, spending on gasoline and other energy goods is expected to decline by 1.2% in 2019 as oil prices fall in the near term and rebound by 6.0% in 2020 and 3.9% in 2021. Purchases of light vehicles are expected to decline 2.2% in 2019, 1.0% in 2020, and 0.8% in 2021, with sales of cars (-6.9% in 2019, -1.6% in 2020, and -0.5% in 2021) falling at a faster rate through 2020 than sales of light trucks (-0.1% in 2019, -0.8% in 2020, and -0.9% in 2021).

Consumer Prices. The consumer price index (CPI) increased by 2.4% in 2018, which was higher than predicted. Wage increases from a tight labor market and higher oil prices than previously estimated contributed to increased prices. IHS Markit expects the CPI to grow by 2.0% in 2019 and by 2.5% in 2020 and 2021. Continued tightness in the labor market is expected to lead to more wage gains, providing upward pressure on prices. However, lower oil prices in 2019 are expected to trim near-term inflation. Although tariffs are expected to increase the price of imports, strong dollar appreciation is expected to offset the effect on import prices as the inflation-adjusted, trade-weighted

value of the dollar for the broad index of U.S. trading partners is forecast to gain 9.2% in 2019 and decrease 2.0% in 2020 and 1.0% in 2021.

Monetary Policy. Because of the tight labor market, inflation near two percent, and strong consumer demand, IHS Markit anticipates that the Federal Reserve will raise the target range for the federal funds rate two times in 2019 by 0.25 percentage points each, once more in 2020, and remain flat in 2021. This would bring the upper end of the target range to 3.25%. Further, it is expected that the Federal Reserve will continue to unwind its balance sheet by allowing its holdings of treasuries and mortgage-backed securities to mature each month without reinvesting the proceeds. As explained above, this is expected to drive up the term premium for longer-term bonds. As interest rates rise, it is estimated that the average commitment rate for a 30-year, conventional, fixed mortgage will increase from an average of 4.5% in 2018 to 4.8% in 2019, 5.0% in 2020, and 5.1% in 2021. The average annual yield on the 10-year U.S. treasury note is expected to increase from an estimated 2.91% in 2018 to 3.02% in 2019, 3.26% in 2020, and 3.41% in 2021.

Housing. Average housing prices now exceed their pre-recession peaks. However, sales of new and existing homes have not come close to their previous highs (8.4 million sales in 2005 compared to only 6.0 million in 2018). For example, according to the Wisconsin Realtors Association, the median value Wisconsin home price in December grew 5.3% year-over-year, whereas the total number of sales in 2018 fell 2.4% compared to 2017.

IHS Markit forecasts slow growth in total housing starts (1.1%) and sales of existing homes (0.7%) in 2019, leading to further price increases for a 1996-style home (2.7%). This is expected in part due to increased mortgage costs and U.S. Census data suggesting slower growth in household formation (from 1.5 million in 2018 to 1.3 million in 2019). On the other hand, IHS Markit estimates that growth of sales of new homes (6.4%) will rebound and that the average price of new homes will remain unchanged from last year. IHS Markit forecasts that growth in 2020 will pick up as the housing market adapts to higher interest rates and reduced tax benefits under the TCJA. The average price of a 1996-style home is expected to increase by 3.1% in 2020 and by 3.0% in 2021. Growth in sales of new and existing homes is expected to increase by 6.8% in 2020 and 0.9% in 2021, while new housing starts are expected to increase by 8.2% in 2020 and 3.6% in 2021.

International Trade. As the trade deficit increases due to an appreciating dollar and uncertain trade policy, net exports are expected to continue to detract from GDP growth (-0.41 percentage points in 2019, -0.20 percentage points in 2020, and -0.22 percentage points in 2021). Continued trade friction between the United States and China has raised uncertainty regarding demand for U.S. exports, cost pressures, and global supply chains. Nonetheless, although growth in foreign markets is forecast to slow, foreign demand is expected to remain supportive of growth in U.S. exports. As a result, real exports of goods and services are forecast to grow 4.1% in 2019, 5.6% in 2020, and 3.2% in 2021. However, real imports of goods and services are expected to grow by even more than exports (6.0% in 2019, 5.8% in 2020, and 4.0% in 2021), contributing to the increasing trade imbalance.

Notably, real exports of petroleum and petroleum products are forecast to grow significantly (17.1% in 2019, 25.0% in 2020, and 12.5% in 2021), whereas growth in imports of such products is expected to remain relatively flat over the period (-3.6% in 2019, 1.1% in 2020, and -3.4% in 2021).

As a result, net exports of petroleum are forecast to be positive in 2020 and continue growing thereafter. This would be the first time that petroleum exports exceed petroleum imports in the history of the U.S. Energy Information Administration's data set (which begins in 1991). At present, the U.S. already produces more crude oil than any other nation on a day-to-day basis. If current trends continue, the U.S. could soon become the largest national supplier of oil as measured by total annual production capacity.

Fiscal Policy. The federal budget deficit is expected to grow from \$779.0 billion in 2018, to \$1,006.4 billion in 2019, \$1,061.9 billion in 2020, and \$1,133.3 billion in 2021, primarily caused by tax reductions enacted under the TCJA and 2018 federal budget acts that raised spending limits on defense and nondefense discretionary spending through federal fiscal year 2019. Overall, federal, state, and local government fiscal policies are estimated to contribute 0.30 percentage points to real GDP growth in 2018. This is expected to increase to 0.46 percentage points in 2019 and fall to 0.13 percentage points in 2020 and 0.03 percentage points in 2021 as the stimulative effect of the tax reductions enacted under the TCJA and deficit spending from recent federal budget bills dissipates.

After the continuing resolution for funding the federal government expired on December 22, 2018, portions of the federal government closed for 35 days until an agreement to provide three weeks of funding was enacted on January 25, 2019. The partial government shutdown resulted in furloughs to approximately 380,000 federal employees and approximately 420,000 workers being forced to work without pay. Although unpaid employees are expected to have curtailed their spending temporarily, IHS Markit expects the overall effect on nominal PCE to be minor because recently enacted legislation provides back pay to those employees. Instead, the direct impact of the partial federal government shutdown is expected to come from government services not being produced by furloughed employees. As noted, it is estimated that each of the five weeks of the shutdown reduced real GDP by \$3.5 billion, which is estimated to be more than three-tenths of a percentage point of first quarter GDP. According to IHS Markit, if the federal government were to close again after the current funding resolution expires on February 15, 2019, it is anticipated that additional government programs may be affected and the effects on real GDP may exceed \$3.5 billion per week.

Employment. IHS Markit forecasts that the employment market will remain strong in the short term, with total nonfarm payrolls expanding 1.4% in 2019, 1.0% in 2020, and 0.5% in 2021. The unemployment rate is expected to fall from 3.9% in 2018 to an average of 3.6% in 2019 and remain at an average of 3.7% in 2020 before creeping back up to an average of 3.9% in 2021. The labor participation rate for adults under 65 is projected to increase from 72.2% in 2018 to 73.0% in 2021. Thus, going into the next biennium, it is likely that it will be more challenging for employers to find workers than for job seekers to find job openings.

Alternative Scenarios. IHS Markit's 2019 forecast also includes an optimistic scenario and a pessimistic scenario. Under the optimistic scenario, IHS Markit assigns a 15% probability that strong productivity growth and less inflation will yield GDP growth 1.1% higher in each year than predicted in the baseline forecast. The key assumptions are that a lower natural rate of unemployment keeps core PCE inflation below its baseline level while faster productivity growth allows wages to grow more quickly without triggering inflation. Growth in the rest of the world increases due to faster

productivity gains, although more slowly than in the U.S. In response to better income and job prospects, consumers increase their spending. The Federal Reserve holds off from rate increases as a response to low rates of inflation until early 2020, and does not raise the federal funds rate up to a target range of 3.25-3.50% until 2022. Household formation accelerates due to improved employment and household finances, spurring a sharp rise in housing starts.

Under the pessimistic scenario, to which IHS Markit assigns a 25% probability, a broad-based loss of confidence and risk aversion causes a three-quarter recession in 2020. In this scenario, the real-estate market declines as prices correct downwards, causing consumer confidence to plunge. Declining confidence, along with an inverted yield curve, sets off a deep drop in asset values and broad-based declines in business fixed investment. The declining stock and housing markets cause negative wealth effects which, along with employment declines, cause households to curtail their spending in early 2020. Foreign growth also slows. The result is a three quarter recession starting in the first quarter of 2020. Unemployment spikes up to 6.0% in 2021, and GDP declines 2.8%, 2.2%, and 2.0% over the first three quarters of 2020 on an annualized basis. The recovery after the recession is expected to be weak, in part, due to lack of capacity by the federal government or the Federal Reserve to use fiscal or monetary policy to offset the effects of the recession.

General Fund Taxes

Table 3 shows general fund tax revenue estimates for 2018-19 and for each year of the 2019-21 biennium. Over the three-year period, these estimates are \$282.0 million (0.5%) lower than the projections released by the Department of Revenue (DOR) last November. By year, the new estimates are lower than DOR's projections by \$142.1 million in 2018-19, \$45.2 million in 2019-20, and \$94.7 million in 2020-21. Compared to the November 20 report, the estimates are significantly lower for individual income tax collections, but are higher for general sales and use taxes and corporate income/franchise taxes in each year. The new estimates are based on the most recent national economic forecast and year-to-date tax collections data. The estimates incorporate all law changes enacted to date, including the 2017 Wisconsin Act 368 provisions regarding the election for pass-through entities to be taxed at the entity level and the automatic individual income tax rate reductions, beginning in tax year 2019, equal to the amount of increased sales and use tax collections following the U.S. Supreme Court decision *South Dakota v. Wayfair, Inc.* DOR's November projections were released prior to enactment of Act 368 and did not include the fiscal effects of the entity level tax or the individual income tax rate reductions.

TABLE 3**Projected General Fund Tax Collections
(Millions)**

	<u>2017-19 Biennium</u>		<u>2019-21 Biennium</u>	
	<u>2017-18 Actual</u>	<u>2018-19 Estimated</u>	<u>2019-20 Estimated</u>	<u>2020-21 Estimated</u>
Individual Income	\$8,479.2	\$8,640.0	\$9,020.0	\$9,330.0
Sales and Use	5,448.1	5,715.0	5,955.0	6,000.0
Corporate Income/Franchise	893.9	990.0	1,050.0	1,075.0
Public Utility	365.3	368.0	369.0	371.0
Excise				
Cigarette	538.9	532.0	527.0	523.0
Tobacco Products	80.2	86.0	90.0	94.0
Liquor and Wine	52.0	54.0	55.0	56.0
Beer	8.9	8.9	8.9	8.9
Insurance Company	186.3	189.0	195.0	200.0
Miscellaneous Taxes	<u>91.4</u>	<u>91.0</u>	<u>97.0</u>	<u>102.0</u>
Total	\$16,144.2	\$16,673.9	\$17,366.9	\$17,759.9
Change from Prior Year		\$529.7	\$693.0	\$393.0
Percent Change		3.3%	4.2%	2.3%

Individual Income Tax. Individual income tax revenues are estimated to total \$8,640.0 million in 2018-19, which represents a 1.9% increase relative to income tax collections in 2017-18 of \$8,479.2 million. Individual income tax revenues are estimated at \$9,020.0 million in 2019-20 and \$9,330.0 million in 2020-21. These amounts represent increases of 4.4% in the first year and 3.4% in the second year.

The January, 2019, IHS Markit forecast projects national personal income growth of 4.4% in 2018, 4.4% in 2019, 4.5% in 2020, and 4.2% in 2021. However, personal income includes both taxable components, such as wage and salary disbursements, and nontaxable components, such as employer contributions for employee fringe benefits and government transfer payments to individuals. The taxable components of personal income are estimated to increase at slightly lower rates than for personal income as a whole. Since the economic recovery began, Wisconsin's personal income growth rates have lagged the rates for the United States. Personal income, as measured by the U.S. Bureau of Economic Analysis, does not include income from capital gains realizations, which are subject to state and federal taxation.

Through November, 2018, year-to-date growth in individual income tax collections equaled 6.5%. In December, collections decreased 19.8%, compared to December, 2017, and year-to-date collections were at roughly the same level as for 2017-18. The December decrease is due to lower estimated payments and pass-through withholding, and preliminary data indicates that January collections in those categories will decrease relative to January, 2018. According to DOR, similar

decreases are occurring in other states.

The cause of the decrease in estimated payments and pass-through withholding may be attributable to at least four factors. First, some taxpayers accelerated payments in December, 2017, and January, 2018, in response to the federal TCJA. As a result, these taxpayers may have been able to claim larger than normal tax year 2017 itemized deductions for federal tax purposes, before the \$10,000 state and local tax deduction limitation took effect in tax year 2018. Due to these higher payments, some decrease in estimated payments in December and January of 2018-19 was anticipated, but the actual decrease exceeded expectations. Second, there is some evidence that pass-through entities subject to the individual income tax changed their tax filing status in 2018 to take advantage of certain federal tax treatments enacted under the TCJA, and are now taxed as C corporations. Third, some pass-through entities, previously taxed under the state individual income tax, are electing to be taxed under Act 368 at the entity level. The entity level tax is available to tax-option corporations in tax year 2018 and to other pass-through entities in tax year 2019. A provision in the Act delays the imposition of interest and penalties on underpayments by tax-option corporations until 2019. As a result, tax-option corporations making the election were not required to make a January estimated payment. Finally, the stock market "correction" in the last quarter of 2018 caused some taxpayers to realize either diminished capital gains or capital losses. Besides their effect on estimated payments and pass-through withholding, these factors are expected to add volatility to final payments and refunds during the 2018 tax filing season.

While these factors are expected to dampen the growth rate for individual income tax collections in 2018-19 (1.9%), they contribute to a "bounce" in the growth rate for 2019-20 (4.4%). The growth rate in 2020-21 of 3.4% is consistent with the average annual growth for the post-recession recovery and reflects a continuation of economic expansion, as forecast by IHS Markit.

General Sales and Use Tax. State sales and use tax revenues totaled \$5,448.1 million in 2017-18, and are estimated at \$5,715.0 million in 2018-19. The estimate represents growth of 4.9% over the prior year. Sales tax revenues in the next biennium are estimated at \$5,955.0 million in 2019-20 and \$6,000.0 million in 2020-21, reflecting growth of 4.2% and 0.8%, respectively. The lower growth projected in 2020-21 incorporates the repeal, beginning July 1, 2020, of the state's taxation of internet access services, pursuant to 2017 Wisconsin Act 59. The Act 59 provision reflects the federal prohibition on taxation of internet access services beginning on that date, and is estimated to reduce sales tax revenues by \$166 million annually beginning in 2020-21.

Sales tax collections through December, 2018 are 5.0% higher than the same period in 2017. Adjusting for law changes since the January, 2018 estimate (including additional revenues resulting from the June, 2018 U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.* and the August, 2018 sales tax holiday), year-to-date growth is approximately 4.5%. Growth is projected to be 4.9% for the 2018-19 fiscal year.

Corporate Income/Franchise Tax. Corporate income/franchise taxes are estimated to increase from \$893.9 million in 2017-18 to \$990.0 million in 2018-19. Corporate income/franchise tax revenues are forecast to increase to \$1,050.0 million in 2019-20 and \$1,075.0 million in 2020-21. This represents an increase in revenues of 10.8% in 2018-19, 6.1% in 2019-20, and 2.4% in 2020-21.

The forecasted 10.8% growth for 2018-19 over 2017-18 collections and continued growth over the 2019-21 biennium is primarily based on two factors. First, year-to-date collections are 23.1% higher compared to the same period in 2017-18. As noted above, some pass-through filers appear to have changed their filing status to C corporations in response to the TCJA, and others have elected to pay state taxes at the entity level under Act 368. According to DOR, tax-option corporations that elect entity-level taxation will have their income reported under the corporate income/franchise tax, as opposed to the individual income tax. As a result, it is expected that corporate income/franchise tax collections will increase by more than previously expected. Further, economic profits grew by 8.0% in 2018, which was a higher growth rate than was included in the prior forecast. Going forward, IHS Markit expects growth in economic profits and adjusted before-tax book profits to slow over the course of the 2019-21 biennium. Thus, corporate income/franchise tax revenue is forecast to continue to grow, albeit more slowly than in 2018-19.

Public Utility Taxes. Public utility taxes are estimated at \$368.0 million in 2018-19, \$369.0 million in 2019-20, and \$371.0 million in 2020-21. On a year-over-year basis, these estimates represent increases of 0.7% in 2018-19, 0.3% in 2019-20, and 0.5% in 2020-21. The gross revenues tax group comprises almost 70% of estimated collections, and gross revenues taxes are estimated to increase 0.6% in 2018-19, 0.5% in 2019-20, and 1.3% in 2020-21. Private light, heat, and power companies are the largest taxpayer group among gross revenues taxpayers, and collections from these companies are estimated to increase 0.3% in 2018-19, 0.6% in 2019-20, and 1.3% in 2020-21. Companies subject to a state ad valorem tax comprise the other group of taxpayers with public utility tax liabilities. Collections from these taxpayers are estimated to increase 1.2% in 2018-19 and decrease 0.6% in 2019-20 and 0.5% in 2020-21. The decreases result from falling ad valorem tax rates and the loss of tax base due to depreciation and obsolescence.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), other tobacco products, and beer. In 2017-18, excise tax collections totaled approximately \$680.0 million, of which \$538.9 million (approximately 79.3%) was from the excise tax on cigarettes. Total excise tax collections in 2017-18 represented a decrease of 3.6% from the prior fiscal year, primarily driven by a decrease in cigarette tax collections of 4.5% from the prior year. Excise tax revenues are estimated at \$680.9 million in 2018-19, which represents increased revenues of 0.1%. Excise tax revenues are estimated to remain flat in 2019-20 at \$680.9 million and increase by 0.1% to \$681.9 million in 2020-21.

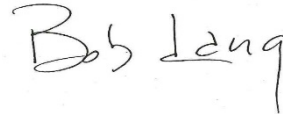
Insurance Premiums Taxes. Insurance premiums taxes are projected to increase from \$186.3 million in 2017-18 to \$189.0 million in 2018-19, \$195.0 million in 2019-20, and \$200.0 million in 2020-21. This reflects projected year-over-year growth of 1.4%, 3.2%, and 2.6%, respectively. The estimates are based on a decline of 0.1% in year-to-date insurance premiums tax collections, historic collections growth trends, and projected growth in consumer spending on insurance.

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 \$91.4 million in 2017-18, of which 83.8% was generated from the real estate transfer fee. Based on the economic forecast for the housing sector, as well as collections through December, 2018, miscellaneous taxes are projected to decrease to \$91.0 million in 2018-19, which represents a

0.4% decrease from 2017-18 collections. Miscellaneous taxes are estimated to increase by 6.6% to \$97.0 million in 2019-20 and by 5.2% to \$102.0 million in 2020-21, primarily due to projections by IHS Markit of strong growth in housing starts and sales of new and existing homes in 2020 and continued growth in housing prices over the forecast period.

This office will continue to monitor state revenues and expenditures and new economic forecasts, and notify you and your colleagues of any further adjustments that may be necessary.

Sincerely,

A handwritten signature in black ink that reads "Bob Lang". The letters are cursive and somewhat stylized.

Robert Wm. Lang
Director

RWL/bh

cc: Members, Wisconsin Legislature

APPENDIX B

GENERAL OBLIGATION ISSUANCE STATUS REPORT

APRIL 1, 2019

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund		G.O. VRDO Notes of 2019, Series A	Total Authorized Unissued Debt
			Interest Earnings ^(a)	Premium ^(a)		
University of Wisconsin; academic facilities.....	\$ 2,552,521,100	\$ 2,110,380,843	\$ 13,084,724	\$ 65,409,659	\$ 8,622,195	\$ 355,023,679
University of Wisconsin; self-amortizing facilities.....	2,740,855,400	2,303,607,699	2,967,557	63,556,082	25,179,563	345,544,499
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	1,046,250,000	857,536,480	410,794	25,655,162	3,379,170	159,268,394
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,744	141,818			139,438
Clean water fund program.....	646,283,200	636,296,843		3,967,798		6,018,559
Safe drinking water loan program.....	71,400,000	68,735,546	123	2,183,403	480,049	879
Natural resources; nonpoint source grants.....	94,310,400	93,954,702	190,043	165,649		6
Natural resources; nonpoint source	44,050,000	29,099,339	2,498	2,509,913		12,438,250
Natural resources; environmental repair.....	57,000,000	49,097,663	203,945	274,644		7,423,748
Natural resources; urban nonpoint source cost-sharing.....	53,600,000	42,858,124	31,189	1,609,413	202,003	8,899,271
Natural resources; contaminated sediment removal.....	32,000,000	24,549,247		1,211,035		6,239,718
Natural resources; environmental segregated fund supported administrative facilities.....	19,969,200	10,655,566	161	144,257		9,169,216
Natural resources; segregated revenue supported dam safety projects.....	6,600,000	6,571,582	617	27,795		6
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	145,060,325	145,010,325	50,000			
Natural resources; pollution abatement and sewage collection facilities.....	893,493,400	874,927,239	18,513,077			53,084
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	194,312,599	6,287,401			
Natural resources; recreation projects.....	56,055,000	56,053,994	1,006			
Natural resources; local parks land acquisition and development.....	2,490,000	2,447,741	42,259			
Natural resources; recreation development.....	23,061,500	22,919,742	141,325	68		364
Natural resources; land acquisition.....	45,608,600	45,116,929	491,671			
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,445,793	17,174			37,032
Natural resources; segregated revenue supported facilities.....	108,171,100	91,371,393	93,544	3,930,728	808,088	11,967,347

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
APRIL 1, 2019

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund		G.O. VRDO Notes of 2019, Series A	Total Authorized Unissued Debt
			Interest Earnings ^(a)	Premium ^(a)		
Natural resources; general fund supported administrative facilities.....	\$ 16,514,100	\$ 11,317,787	\$ 21,753	\$ 9,001		\$ 5,165,559
Natural resources; ice age trail.....	750,000	750,000				
Natural resources; dam safety projects.....	25,500,000	17,735,301	51,291	1,306,963	\$ 133,808	6,272,637
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,500,000				
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	229,243,222	1,306,879	132,869		317,030
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943			96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800				
Transportation; major interstate bridge construction.....	245,000,000	213,025,705	64	31,974,231		
Transportation; rail passenger route development.....	79,000,000	66,084,243	3,016	1,342,987		11,569,754
Transportation; accelerated highway improvements.....	185,000,000	185,000,000				
Transportation; connecting highway improvements.....	15,000,000	15,000,000				
Transportation; federally aided highway facilities.....	10,000,000	10,000,000				
Transportation; highway projects.....	41,000,000	41,000,000				
Transportation; major highway and rehabilitation projects.....	565,480,400	565,480,400				
Transportation; Southeast rehabilitation projects, southeast megaprojects, and high- cost bridge projects.....	1,328,550,000	1,214,217,833	3,018,078	97,882,005	1,058,142	12,373,942
Transportation; state highway rehabilitation projects, southeast megaprojects.....	820,063,700	781,604,780	1,182,897	37,275,422		601
Transportation; major highway projects.....	100,000,000	98,948,179		1,051,814		7
Transportation; state highway rehabilitation, certain projects.....	141,000,000	134,924,101		6,075,854		45
Transportation; major highway and rehabilitation projects subject to joint committee on finance approval.....	305,227,664	233,421,404	141,819	39,871,103		31,793,338
Transportation; southeast Wisconsin freeway megaprojects subject to contingency.....	252,400,000	89,659,553	94,291	10,163,039		152,483,117
Transportation; harbor improvements.....	120,000,000	93,675,410	234,581	5,057,346	790,781	20,241,882
Transportation; rail acquisitions and improvements.....	250,300,000	175,738,988	5,187	15,181,051	1,399,682	57,975,092
Transportation; local roads for job preservation, state funds.....	2,000,000	2,000,000				
Corrections; correctional facilities.....	951,679,900	847,410,965	11,468,918	5,535,522	2,044,093	85,220,402

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
APRIL 1, 2019

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. VRDO Notes of 2019, Series A</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Corrections; self-amortizing facilities and equipment.....	\$ 2,116,300	\$ 2,115,438	\$ 99			\$ 763
Corrections; juvenile correctional facilities.....	28,652,200	28,538,452	108,861	\$ 988		3,899
Corrections; juvenile correctional grant program.....	40,000,000					40,000,000
Health services; mental health and secure treatment facilities.....	223,646,200	173,824,197	895,996	1,937,211	\$ 373,010	46,615,786
Agriculture; soil and water.....	68,075,000	62,554,018	9,110	3,203,656	164,115	2,144,101
Agriculture; conservation reserve enhancement.....	28,000,000	19,977,431	3,160	988,947	193,965	6,836,497
Administration; Black Point Estate.....	1,600,000	1,598,655	445			900
Administration; energy conservation projects; capital improvement fund.....	220,000,000	161,110,590		10,406,397	433,700	48,049,313
Building commission; previous lease rental authority.....	143,071,600	143,068,654				2,946
Building commission; refunding tax-supported general obligation debt.....	2,102,086,430	2,102,086,530				
Building commission; refunding self-amortizing general obligation debt.....	272,863,033	272,863,033				
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005.....	250,000,000	250,000,000				
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2011.....	474,000,000	473,651,084				348,916
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2013.....	264,200,000	263,420,000				780,000
Building commission; refunding tax-supported and self-amortizing general obligation debt.....	6,785,000,000	4,976,873,916				1,808,126,084
Building commission; housing state departments and agencies.....	917,767,100	743,824,795	2,356,097	37,184,403	4,774,519	129,627,286
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479			
Building commission; project contingencies.....	47,961,200	46,886,988	64,761	102,627	2,500	904,324
Building commission; capital equipment acquisition.....	125,660,000	123,153,806	740,327	234,156		1,531,711
Building commission; discount sale of debt.....	90,000,000	72,908,307			136,999	16,954,694
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 ^(b)				11,167
Building commission; other public purposes.....	2,677,933,400	2,334,873,270	8,728,268	51,733,817	1,376,630	281,221,415

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
APRIL 1, 2019

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund		G.O. VRDO Notes of 2019, Series A	Total Authorized Unissued Debt
			Interest Earnings ^(a)	Premium ^(a)		
Medical College of Wisconsin, Inc.;						
basic science education and health information technology facilities.....	\$ 10,000,000	\$ 10,000,000				
Norskedalen Nature and Heritage Center.....	1,048,300					\$ 1,048,300
Bond Health Center.....	1,000,000	983,307		\$ 16,682		10
Lac du Flambeau Indian Tribal Cultural Center...	250,000	210,495		39,504		1
Dane County; livestock facilities.....	9,000,000	7,577,838		1,422,134		28
K I Convention Center.....	2,000,000	1,725,394		274,522		84
HR Academy, Inc.....	1,500,000	1,500,000				
Medical College of Wisconsin, Inc.;						
biomedical research and technology incubator.....	35,000,000	33,820,484		910,977		268,539
AIDS Resource Center of Wisconsin, Inc.....	800,000	800,000				
Bradley Center Sports and Entertainment Corporation.....	5,000,000	4,869,946		130,053		1
Medical College of Wisconsin;						
community medical education facilities.....	7,384,300	4,719,945	3,011	495,259	\$ 458,504	1,707,581
Family justice center.....	10,625,000	9,109,385		1,515,566		49
Marquette University;						
dental clinic and education facility.....	25,000,000	23,785,844	\$ 818	1,032,347	20,889	160,102
Civil War exhibit at the Kenosha Public Museums.....	500,000	500,000				
AIDS Network, Inc.....	300,000	300,000				
Wisconsin Maritime Center of Excellence.....	5,000,000	4,382,666		616,673	597	64
Hmong cultural centers.....	250,000	250,000				
Milwaukee Police Athletic League;						
youth activities center.....	1,000,000	1,000,000				
Children's research institute.....	10,000,000	10,000,000				
Domestic Abuse Intervention Services, Inc.....	560,000	476,628		83,327		45
Carroll University.....	3,000,000	2,393,760		403,102		203,138
Wisconsin Agricultural Education Center, Inc...	5,000,000	3,427,220		353,681	401,359	817,740
Eau Claire Confluence Arts, Inc.....	15,000,000	11,120,638		1,280,371	893,420	1,705,571
Administration;						
school educational technology infrastructure financial assistance.....	71,911,300	71,480,216	431,066			18
Myrick Hixon EcoPark, Inc.....	500,000	500,000				
Madison Children's Museum.....	250,000	250,000				
Administration;						
public library educational technology infrastructure financial assistance.....	269,000	268,918	42			40
Educational communications board;						
educational communications facilities.....	24,169,000	24,112,683	38,515	11,925		5,877
LaCrosse Center.....	5,000,000					5,000,000
St. Ann Center for Intergenerational Care, Inc., Bucyrus Campus.....	5,000,000					5,000,000
Brown County innovation center.....	5,000,000					5,000,000
Grand Opera House in Oshkosh.....	500,000	500,000				
Aldo Leopold climate change classroom and interactive laboratory.....	500,000	485,000		14,992		8
Historical society;						
self-amortizing facilities.....	1,029,300	1,029,156	3,896			

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
APRIL 1, 2019

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund		G.O. VRDO Notes of 2019, Series A	Total Authorized Unissued Debt
			Interest Earnings ^(a)	Premium ^(a)		
Historical society; historic records.....	\$ 26,650,000	\$ 21,972,766	137	\$ 3,169,487	\$ 343,605	\$ 1,164,005
Historical society; historic sites.....	9,591,800	9,064,652	847	291,312		234,989
Historical society; museum facility.....	4,384,400	4,362,469				21,931
Historical society; Wisconsin history center.....	16,000,000	8,583,072	457	1,360,316	102,056	5,954,099
Public instruction; state school, state center and library facilities.....	12,350,600	11,845,468	32,509	467,826		4,797
Military affairs; armories and military facilities.....	56,490,800	43,178,753	198,829	2,078,102	26,558	11,008,558
Veterans affairs; veterans facilities.....	15,018,700	9,405,485	50,593			5,562,621
Veterans affairs; self-amortizing mortgage loans.....	2,127,540,000	2,122,542,395				4,997,605
Veterans affairs; refunding bonds.....	1,015,000,000	761,594,245				253,405,755
Veterans affairs; self-amortizing facilities.....	77,995,100	27,589,066	2,427	1,127,943		49,275,664
State fair park board; board facilities.....	14,787,100	14,769,363	1			17,736
State fair park board; housing facilities.....	11,000,000	10,999,985	15			
State fair park board; self-amortizing facilities.....	53,687,100	52,699,335	22,401	13,596		951,768
Total.....	<u>\$ 33,176,959,452</u>	<u>\$ 28,460,125,379</u>	<u>\$ 74,220,811</u>	<u>\$546,406,713</u>	<u>\$ 53,800,000</u>	<u>\$ 4,042,410,401</u>

^(a) Amounts previously credited to the Capital Improvement Fund (which include interest earnings and may include sale proceeds representing purchase premium) reduce issuance authority by the same amount.

^(b) Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Department of Administration.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

The Program Resolution contains various covenants, security provisions, terms and conditions, certain of which are summarized below. This description does not purport to be comprehensive or definitive. Unless context indicates otherwise, each reference to the "Notes" below means any series of notes issued under the Program Resolution, including, but not limited to, the General Obligation Variable Rate Demand Obligation Notes of 2019, Series A. Reference is made to the Program Resolution for a full and complete statement of its provisions. All references in this Official Statement to the Program Resolution are qualified in their entirety by reference to such document, a copy of which is available for review at the offices of the State. Defined terms used in this Appendix shall have the meaning ascribed to them in the DEFINITIONS OF CERTAIN TERMS Section of this Appendix.

DEFINITIONS OF CERTAIN TERMS

"Alternative Trading System" means the electronic bidding system, as further defined and described in the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement.

"Alternative Trading System Mode" means the Rate Mode in which the Notes bear interest at the Clearing Market Rate determined by the Alternative Trading System.

"Authorized Denomination" means (i) during each Daily Rate Period or Weekly Rate Period, or in any case not specified, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, (ii) during each Term Rate Period, \$5,000 or any integral multiple thereof and (iii) during the Clearing Market Rate Mode, \$100,000 or any integral multiple thereof. Each reference to Notes includes portions thereof in Authorized Denominations.

"Authorized Officer" of the State means the Capital Finance Director or any other person at the time designated to act on behalf of the State by written certificate containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director or Secretary of Administration, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

"Authorizing Resolution" means each Authorizing Resolution of the Building Commission authorizing the issuance of or relating to Notes, with all Exhibits, Schedules, Appendices and related proceedings, including the Notes, and all supplemental resolutions thereto.

"Beneficial Owner" means any Person which (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Notes (including any Person holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Note for federal income tax purposes.

"Bid Process Date" means, with respect to Notes bearing interest in the Alternative Trading System Mode, each Rate Determination Date.

"Book-Entry Form" or "Book-Entry System" means a form or system under which physical Note certificates in fully registered form are registered only in the name of the Securities Depository, with the physical certificates "immobilized" in the custody of the Securities Depository.

"Book-Entry Notes" means Notes held in Book-Entry Form.

"Business Day" means a day other than (i) a Saturday and Sunday or (ii) a day on which the New York Stock Exchange, the Federal Reserve Bank of New York, the Paying Agent, the Tender Agent, the Market Agent, the

Remarketing Agent, the Liquidity Provider or banks and trust companies in New York, New York, are authorized or required to remain closed.

"Clearing Market Rate Notes" mean any Notes bearing interest in the Alternative Trading System Mode.

"Clearing Market Rate Period" means a period of days in seven day increments (for example, 7, 14, 21....266) not to exceed 266 days during which the Clearing Market Rate applies, as further defined and described in the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement.

"Clearing Market Rate" means the interest rate determined and reset by the Alternative Trading System, as further defined and described in the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement.

"Contractual Bidder" means, with respect to Notes bearing interest in the Alternative Trading System Mode, the Liquidity Provider in its role as a bidder on each Bid Process Date.

"Contractual Bidder Notes" has the meaning set forth in Appendix E of this Official Statement.

"Conversion" means, except as specified in Appendix E of this Official Statement and in the front of this Official Statement for Notes in the Alternative Trading System Mode with respect to a Duration Conversion, a change in the Rate Mode of a Note. To "Convert" is the act of Conversion.

"Conversion Date" means, except as specified in Appendix E of this Official Statement and in the front of this Official Statement for Notes in the Alternative Trading System Mode with respect to a Duration Conversion, the Business Day of a Conversion, which shall be an eligible Optional Redemption Date for the Rate Mode in effect.

"Conversion Notice" means a notice given as described under (c) of the heading entitled "Determination of Rate Mode".

"Credit Facility" means a Standby Agreement that specifies no Liquidity Conditions and provides for the purchase of Notes in the event of the State's failure to pay interest or principal when due.

"Daily Rate" means the rate at which Notes bear interest during a Daily Rate Period, as described under (a) of the heading "Determination of Rates".

"Daily Rate Mode" means a Rate Mode in which Notes bear interest at a Daily Rate.

"Daily Rate Period" means a period commencing on one Business Day and extending to, but not including, the next succeeding Business Day, during which Notes bear interest at the Daily Rate.

"Default Notice" means a notice given by a Liquidity Provider pursuant to a Standby Agreement to the effect that the Standby Agreement issued by such Liquidity Provider will terminate on the date specified in such notice, or any comparable notice.

"Direct Obligations" means non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself, non-callable "CATS", non-callable "TIGRS" and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form.

"Direct Participant" means a participant in the book-entry system of recording ownership interests in the Notes.

"Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by a Fiduciary, or another method or system specified by a Fiduciary as available for use in connection with its services hereunder.

"Eligible Account" means an account that is maintained with either a federal or state-chartered depository institution or trust company that has an S&P Global Ratings short-term debt rating of at least 'A-2' (or, if no short-term debt rating, a long-term debt rating of 'BBB+') or the corporate trust department of a federal or state-chartered depository institution or trust company subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an "Eligible Account" no longer complies with the foregoing requirement, the State shall promptly (and, in any case, within not more than 30 calendar days) cause such account to be held by another financial institution such that the Eligible Account requirement will again be satisfied.

"Excluded Notes" means Purchased Notes and Notes held by, or for the account or benefit of, the State, including Self-Liquidity Purchased Notes.

"Expiration Date" means the fixed date on which a Standby Agreement will expire, as such date may be extended from time to time; and includes the date of an early termination of a Standby Agreement caused by the State (excluding a Termination Date). In connection with a Self-Liquidity Standby Agreement, the Expiration Date will be the maturity date of the applicable Notes, unless otherwise specified.

"Favorable Opinion of Bond Counsel" means an opinion or opinions of nationally recognized bond counsel, to the effect that the action proposed to be taken is authorized or permitted by the Program Resolution and the applicable Authorizing Resolution and will not adversely affect the exclusion of interest on the Tax-Exempt Notes from gross income for purposes of federal income taxation.

"Fiduciary" means each Paying Agent or Tender Agent.

"Initial Period" means a period specified by the State, beginning on an Issue Date for a series of Notes or a Conversion Date. The day following an Initial Period shall be a Business Day and shall not be treated as a Conversion Date.

"Initial Rate" means each rate of interest to be paid in an Initial Period.

"Interest Payment Date" means, with respect to (a) any Daily Rate Period, any Weekly Rate Period, any Clearing Market Rate Period, or any case not specified, the first Business Day of each month; (b) any Term Rate Period, each day that is the first Business Day of the Maturity Month or the Opposite Month and the Business Day following the last day of the Rate Period; or (c) any Rate Period, as may be otherwise specified by the State for a series of Notes; and provided further that interest on Purchased Notes may be paid as otherwise specified in the Authorizing Resolution or the Standby Agreement. With respect to all Notes, interest shall be payable on each Mandatory Tender Date, Optional Tender Date, redemption date or maturity date.

"Interest Period" means each period from and including an Issue Date or Conversion Date for a series of Notes or an Interest Payment Date to but excluding the next Interest Payment Date.

"Interest Period Rate" means a weighted average rate of interest calculated by multiplying the Rate for each calendar day of an Interest Period by the number of calendar days such Rate is in effect and dividing the sum of the products by the number of calendar days in the Interest Period, rounded to five places to the right of the percentage decimal point (x.xxxxx%).

"Issue Date" means the date of issuance and delivery of a series of Notes.

"Liquidity Condition" means an event of immediate termination or suspension as specified in a Liquidity Facility, upon the occurrence of which the Liquidity Provider is not obligated to purchase Notes and, accordingly, such Notes are not subject to tender for purchase.

"Liquidity Enhanced Notes" means any Notes bearing interest in the Daily Rate Mode, Weekly Rate Mode, Alternative Trading System Mode or Term Rate Mode that are subject to a Liquidity Facility or a Credit Facility, and includes Self Liquidity Notes.

"Liquidity Facility" means a Standby Agreement that is not a Credit Facility.

"Liquidity Provider" means any provider of a Standby Agreement then in effect, which may be a third-party provider or the State under a Self-Liquidity Standby Agreement.

"Mandatory Redemption Date" means, unless otherwise specified by the State, in each year so specified in the Notes, (a) for Notes in the Term Rate Mode, the first day of the Maturity Month, (b) for Notes in the Daily Rate Mode, the Weekly Rate Mode, or the Alternative Trading System Mode, or in any case not specified, the first Business Day in the Maturity Month (which will be an Interest Payment Date).

"Mandatory Tender Date" means any date on which a Note is subject to mandatory tender as described under (d) of the heading entitled "Tender of Notes for Purchase" and under the heading entitled "Tender for Purchase".

"Market Agent" means any market agent for the Notes in the Alternative Trading System Mode designated by the State and serving in such capacity.

"Market Agent Agreement" means each Market Agent Agreement between the State and a Market Agent, as in effect from time to time.

"Maturity Month" means the calendar month designated by an Authorized Officer with respect to Notes in a Term Rate Mode.

"Maximum Rate" means the maximum interest rate specified by the Capital Finance Director for a series of Notes upon initial issuance of such Notes as described in (d) under the heading entitled "Form and Denominations" or upon Conversion of such Notes as described in (b) under the heading entitled "Rate Modes; Maturity; Payment of Principal; Redemption; Transfer".

"Minimum Coverage Period" means 35 days for Notes in the Daily Rate Mode, the Weekly Rate Mode or the Alternative Trading System Mode; 5 days longer than the period between Interest Payment Dates in the Term Rate Mode; and in each case such longer period as may be required by the Rating Agencies.

"Noteholder" means any person who shall be the Registered Owner of any Notes.

"Opposite Month" means the calendar month six months after the Maturity Month.

"Optional Redemption Date" means, (1) for Notes in the Daily Rate Mode, the Alternative Trading System Mode, the Weekly Rate Mode, or in any case not specified, any Business Day, or as otherwise specified in the notice described under (c)(i) of the heading entitled "Determination of Rate Mode" and (2) for Notes in the Term Rate Mode, each Mandatory Tender Date.

"Optional Tender Date" means any Business Day during a Daily Rate Period or a Weekly Rate Period or any Rate Effective Date for any Clearing Market Rate Note.

"Paying Agent" means any paying agent for the Notes designated by the State.

"Person" means any individual, association, unincorporated organization, corporation, partnership, limited liability company, estate, joint venture, joint stock company, trust (including any beneficiary thereof), business trust, or government or any agency or political subdivision thereof, or any other entity, and includes permitted successors.

"Purchase Account" means the account so designated in the Purchase and Remarketing Fund.

"Purchase and Remarketing Fund" means each Purchase and Remarketing Fund.

"Purchase Date" means any date for optional tender for purchase or mandatory tender for purchase of Notes provided in the Program Resolution or, for Clearing Market Rate Notes, any other date on which such Notes are required to be purchased by the Contractual Bidder as described in Appendix E of this Official Statement.

"Purchase Price" means 100% of the principal amount of any Tendered Note plus (if not otherwise provided for) accrued and unpaid interest thereon to the Tender Date.

"Purchased Note" means any Note held by or for a Liquidity Provider or Qualified Purchaser pursuant to a Standby Agreement, including any Self-Liquidity Purchased Note. With respect to Notes bearing interest in the Alternative Trading System Mode, "Purchased Note" shall include Contractual Bidder Notes. References to Purchased Notes and actions taken with respect thereto in accordance with the Program Resolution shall include the interest of a Liquidity Provider or a Qualified Purchaser in Notes held by the Tender Agent on behalf of a Liquidity Provider or a Qualified Purchaser.

"Purchased Note Rate" means, with respect to (i) a Note in the Daily Rate Mode, Weekly Mode or Term Rate Mode purchased by a Liquidity Provider (other than the State) pursuant to the related Standby Agreement, or (ii) a Note in the Alternative Trading System Mode purchased by a Liquidity Provider (other than the State) upon a mandatory tender of such Note pursuant to the related Standby Agreement; the rate specified in such Standby Agreement.

"Qualified Purchaser" means a person in whose name a Purchased Note may, as provided in the applicable Standby Agreement, be registered or to whom a Purchased Note may be transferred by or upon the order of a Liquidity Provider without affecting the character of such Note as a Purchased Note.

"Rate" means each Initial Rate, Daily Rate, Weekly Rate, Term Rate, Purchased Note Rate, or Clearing Market Rate.

"Rate Determination Date" means, with respect to Notes bearing interest in the Alternative Trading System Mode, the Business Day, initially specified by the State, on which Orders (as defined in Appendix E of this Official Statement) are submitted and processed, and a new Clearing Market Rate is established.

"Rate Mode" means the Daily Rate Mode, Weekly Rate Mode, Term Rate Mode, or Alternative Trading System Mode.

"Rate Period" means each Initial Period, Daily Rate Period, Weekly Rate Period, Term Rate Period, or Clearing Market Rate Period.

"Rating Agency" means each nationally recognized statistical rating organization that has, at the request of the State, a short-term rating in effect for a series of Notes.

"Rating Category" means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rating Confirmation" means a written notice from each Rating Agency that its rating on the Notes will not be suspended, withdrawn, reduced or reduced in Rating Category solely as a result of action proposed to be taken under the Program Resolution or the Authorizing Resolution.

"Record Date" means, with respect to each Interest Payment Date, unless otherwise specified by the State, (i) for each Initial Period, Daily Rate Period, Weekly Rate Period or Clearing Market Rate Period, or in any case not specified, the close of business on the Business Day preceding such Interest Payment Date, (ii) during each Term Rate Period, the fifteenth day of the calendar month immediately preceding an Interest Payment Date (or the last Business Day of such preceding month if interest is payable on the fifteenth), and (iii) for payment of interest on Purchased Notes, the Interest Payment Date.

"Registered Owner" means the registered owner of any Note, as shown on the registration books of the State maintained by the Paying Agent.

"Remarketing Agent" means each remarketing agent for Notes in the Daily Rate Mode, Weekly Rate Mode or Term Rate Mode appointed by the State and serving in such capacity.

"Remarketing Agreement" means each Remarketing Agreement between the State and a Remarketing Agent, as in effect from time to time.

"Remarketing Proceeds Account" means the account so designated in the Purchase and Remarketing Fund, which may consist of one or more accounts established for the deposit of remarketing proceeds from the remarketing of one or more series of the State's Notes into which such remarketing proceeds may be deposited prior to the withdrawal of such proceeds to pay the purchase price of Tendered Notes of that series.

"Reset Date" means the date on which the interest rate borne by a Note is to be determined as described under the heading entitled "Determination of Rates".

"Securities Depository" or "Depository" or "DTC" means The Depository Trust Company and its nominees, successors and assigns or any other securities depository selected by the State which agrees to follow the procedures required to be followed by such securities depository in connection with the Notes.

"Self-Liquidity Notes" means Notes for which the State is the Liquidity Provider pursuant to a Self-Liquidity Standby Agreement.

"Self-Liquidity Purchased Notes" means any Note held by or for the State as Liquidity Provider pursuant to a Self-Liquidity Standby Agreement.

"Self-Liquidity Standby Agreement" means a Standby Agreement to provide self-liquidity for Notes entered into by the State with the Tender Agent pursuant to the agreement of the State described under the heading entitled "Agreement to Provide Self-Liquidity for Notes".

"Standby Agreement" means an agreement providing for the purchase of any Notes, as in effect from time to time, which may be either a Liquidity Facility or Credit Facility, and which may be a Self-Liquidity Standby Agreement or an agreement with a third-party provider.

"State" means the State of Wisconsin.

"State Account" means the account so designated in the Purchase and Remarketing Fund.

"Tax Exempt Notes" means Notes that are offered for sale by the State with a representation that, for federal income tax purposes, interest on the Notes shall be excluded from gross income and is not an item of tax preference for purposes of the federal alternative minimum tax.

"Tender Agent" means any Tender Agent appointed by the State.

"Tender Date" means each Optional Tender Date or Mandatory Tender Date.

"Tender Notice" means the notice delivered by the Registered Owner of a Liquidity Enhanced Note subject to optional tender as described under the heading entitled "Tender of Notes for Purchase" or as described in the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement.

"Tendered Note" means a Note mandatorily tendered or tendered at the option of the Registered Owner thereof for purchase as described under the heading entitled "Tender of Notes for Purchase" or under the heading entitled "Tender for Purchase" and in Appendix E of this Official Statement, including a Note deemed tendered, but not surrendered on the applicable Tender Date. With respect to Notes bearing interest in the Alternative Trading System Mode, "Tendered Note" includes a Contractual Bidder Note.

"Term Rate" means the rate at which Notes bear interest during a Term Rate Period, as described in (c) under the heading entitled "Determination of Rates".

"Term Rate Mode" means a Rate Mode in which Notes bear interest at a Term Rate.

"Term Rate Period" means a period commencing on a Conversion Date or a date immediately following a Term Rate Period and extending to a date (not beyond the next date on which such Note is subject to mandatory redemption) as determined by the State.

"Termination Date" means the date on which a Standby Agreement will terminate as set forth in a Default Notice delivered by or for the Liquidity Provider in accordance with the Standby Agreement.

"Weekly Rate" means the rate at which Notes bear interest during a Weekly Rate Period, as described in (b) under the heading "Determination of Rates".

"Weekly Rate Mode" means a Rate Mode in which Notes bear interest at a Weekly Rate.

"Weekly Rate Period" means a period of 7 days commencing on an Issue Date, a Conversion Date or the date (Thursday unless otherwise specified by the State) following an Initial Period or a Weekly Rate Period.

"Written Notice", "written notice" or "notice in writing" means notice in writing which may be delivered by hand or first class mail and includes Electronic Means.

ISSUANCE, DELIVERY AND PAYMENT OF NOTES

Form and Denominations.

(a) Each series of Notes shall be issued pursuant to an Authorizing Resolution. The Notes shall be issued or remarketed in Authorized Denominations in the form of fully registered Notes. Each reference to Notes or series of Notes includes portions thereof in Authorized Denominations.

(b) Any Authorizing Resolution adopted by the Building Commission shall also authorize the issuance and sale of other general obligations, including general obligation bonds, in an amount sufficient for the payment or redemption of such Notes (and thereby to fund such Notes).

(c) On or prior to the Issue Date of a series of Notes, the Capital Finance Director shall deliver to the Paying Agent, the Tender Agent, any Market Agent or Remarketing Agent, and any Liquidity Provider (other than the State) for such Notes, a certificate making the following determinations with respect to such series of Notes: (i) the principal amount of the series of Notes to be issued, which shall not exceed the amount authorized by the applicable Authorizing Resolution; (ii) the maturity date or dates; (iii) the Maximum Rate; (iv) the initial Rate Mode; (v) the series designation; (vi) whether any of the Notes will be term bonds, subject to sinking fund installments, and

if so, the amounts of and the dates said installments are due; (vii) the Liquidity Provider, if any; (viii) the Paying Agent; (ix) the Tender Agent; (x) for Notes in the Alternative Trading System Mode, the Duration of the initial Clearing Market Rate Period, the Rate Determination Date, and the appointment of a Market Agent; (xi) for Notes in the Daily Rate Mode, the Weekly Rate Mode and the Term Rate Mode, the appointment of a Remarketing Agent; (xii) for the Notes in the Term Rate Mode, the Maturity Month, the Opposite Month, and the Term Rate Period; and (xiii) such other terms or conditions as may be necessary or desirable, consistent with the Program Resolution and the applicable Authorizing Resolution.

Rate Modes; Maturity; Payment of Principal; Redemption; Transfer.

(a) The Notes shall be delivered in accordance with the Program Resolution and the applicable Authorizing Resolution. The Notes shall be issued in an initial Rate Mode as specified by the State and shall continue in such Rate Mode until maturity, redemption or until Converted in accordance with the terms of the Program Resolution.

(b) The Notes may be Converted, at the election of the State, upon satisfaction of the conditions set forth in the Program Resolution. On or prior to the date of Conversion of a series of Notes, the Capital Finance Director shall deliver to the Paying Agent, the Tender Agent, any Market Agent or Remarketing Agent, and any Liquidity Provider (other than the State) for such Notes, a certificate making the following determinations with respect to such Notes to be effective upon such Conversion: (i) the Maximum Rate; (ii) the Rate Mode; (iii) the series designation, if different than the prior series designation; (iv) whether any of the Notes will be term bonds, subject to sinking fund installments, and if so, the amounts of and the dates said installments are due; (v) the Liquidity Provider, if any; (vi) the Paying Agent; (vii) the Tender Agent; (viii) for Notes in the Alternative Trading System Mode, the Duration of the initial Clearing Market Rate Period, the Rate Determination Date, and the appointment of a Market Agent; (ix) for Notes in the Daily Rate Mode, the Weekly Rate Mode and the Term Rate Mode, the appointment of a Remarketing Agent; (x) for the Notes in the Term Rate Mode, the Maturity Month, the Opposite Month; and the Term Rate Period; and (xi) such other terms or conditions as may be necessary or desirable, consistent with the Program Resolution and the applicable Authorizing Resolution.

(c) The Notes shall mature on the date or dates determined by the Capital Finance Director consistent with the Authorizing Resolution, provided that the maturity date shall not exceed ten years from their date of issuance.

(d) The principal of, and premium, if any, on any Notes, and the Purchase Price of any Tendered Notes, shall be payable in immediately available funds in lawful money of the United States of America. Payment of the principal of, and premium, if any, on any Notes when due, whether upon maturity, redemption, or otherwise, shall be payable (i) by check mailed to each Registered Owner of any of the Notes upon presentation and surrender of the Notes to be paid at the designated office of the Paying Agent; (ii) at the request of a Registered Owner, by wire transfer to such Registered Owner on the date on which principal is due, at the wire transfer address in the continental United States to which such Registered Owner has not later than the Record Date immediately preceding the date of payment directed the Paying Agent to wire such principal payment; provided that such wire transfer shall only be made upon presentation and surrender of such Notes at the designated office of the Paying Agent on the date on which principal is due; or (iii) as otherwise specified for a series of Notes by the Capital Finance Director in the certificate delivered as described in (c) under the heading entitled "Form and Denominations" or (b) under the heading entitled "Rate Modes; Maturity; Payment of Principal; Redemption; Transfer". Any payment of the Purchase Price of a Tendered Note shall be payable by check mailed to each Registered Owner of such Tendered Notes, upon presentation and surrender of such Tendered Note at the designated office of the Paying Agent, or as otherwise specified for a series of Notes by the Capital Finance Director in the certificate delivered as described under (c) under the heading entitled "Form and Denominations" or (b) under the heading entitled "Rate Modes; Maturity; Payment of Principal; Redemption; Transfer". Notwithstanding the foregoing, so long as the Notes are held by the Securities Depository, payments of principal on the Notes, or the Purchase Price of any Tendered Notes, shall be made in accordance with the requirements of the Securities Depository.

(e) The Notes are subject to optional redemption (or purchase in lieu thereof if permitted by the Authorizing Resolution) in whole or from time to time in part, in Authorized Denominations, pursuant to their terms, and mandatory redemption, pursuant to their terms, without premium, on their respective Optional Redemption

Dates and Mandatory Redemption Dates. Notice of any redemption shall be provided as set forth in the form of Note attached to the Program Resolution, or as otherwise specified for a series of Notes by the Capital Finance Director in the certificate delivered as described in (c) under the heading entitled "Form and Denominations" or as described in (b) under the heading entitled "Rate Modes; Maturity; Payment of Principal; Redemption; Transfer".

(f) The Notes are subject to Optional Tender and Mandatory Tender, pursuant to their terms, without premium, on their respective Optional Tender Dates and Mandatory Tender Dates.

(g) The Notes shall be transferable as set forth in the form of Note attached to the Program Resolution, or as otherwise specified for a series of Notes by the Capital Finance Director in the certificate as described in (c) under the heading entitled "Form and Denominations" or (b) under the heading entitled "Rate Modes; Maturity; Payment of Principal; Redemption; Transfer".

Securities Depository.

(a) Ownership interests in the Notes shall be transferred pursuant to Book-Entry System unless the Book-Entry System is discontinued. If, for any reason, participation in the Securities Depository's Book-Entry System were to be discontinued and the Building Commission does not appoint a successor Securities Depository, then the State shall prepare, authenticate, and deliver at its expense fully registered certificated Notes in Authorized Denominations in the aggregate principal amount then outstanding to the Beneficial Owners of the Notes, as shown upon the records of the Securities Depository and the brokers and other organizations participating, directly or indirectly, in the Securities Depository's Book-Entry System. In addition, thirty (30) days' notice of such discontinuance shall be provided to any Market Agent, Remarketing Agent and Paying Agent.

(b) So long as the Notes are in a Book-Entry System and the Securities Depository is the Registered Owner of the Notes:

(i) Presentation of Liquidity Enhanced Notes to the Tender Agent at redemption or at maturity, or delivery of Liquidity Enhanced Notes to the Tender Agent in connection with a purchase of Tendered Notes, shall be deemed made to the Tender Agent when the right to exercise ownership rights in the Liquidity Enhanced Notes through the Securities Depository or a Direct Participant is transferred by the Securities Depository on its books to the account of the Tender Agent.

(ii) The Securities Depository may present notices, approvals, waivers, votes or other communications required or permitted to be made by Registered Owners on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Notes through the Securities Depository or its Direct Participants.

(iii) Notes or any portion thereof shall not be registered as transferred or be exchanged except:

(A) to any successor to the Securities Depository;

(B) to any new Securities Depository not objected to by the Paying Agent, the Market Agent, or the Remarketing Agent, upon the resignation of the then current Securities Depository from its functions or the termination by the State of the use of the Securities Depository; or

(C) to any persons who are the assigns of the Securities Depository, upon the resignation of the then current Securities Depository or the termination by the State of the use of the Securities Depository.

(iv) So long as the Book-Entry System is in effect with respect to the Liquidity Enhanced Notes, each remarketing thereof by the Remarketing Agent and all purchases and transfers of beneficial ownership interests therein by the Tender Agent shall be conducted in accordance with such Book-

Entry System; and interest payable on any Interest Payment Date shall be paid by wire transfer to the Securities Depository at the wire transfer address therefor.

INTEREST RATES ON NOTES

Payment of Interest.

(a) **Time and Method of Payment.** Interest shall be payable in immediately available funds in lawful money of the United States of America (i) by check mailed to each Registered Owner of a Note on the Record Date immediately preceding such Interest Payment Date to the address thereof as it appears on the registry books of the State; (ii) at the request of a Registered Owner, by wire transfer to such Registered Owner at the wire transfer address in the continental United States to which such Registered Owner has not later than the Record Date immediately preceding such Interest Payment Date directed the Paying Agent to wire such interest payment; or (iii) on Purchased Notes by wire transfer to the Registered Owner of such Purchased Notes at the wire transfer address in the continental United States to which such Registered Owner has, not less than five days prior to the applicable Record Date, directed the Paying Agent to wire such interest payment. Notwithstanding the foregoing, so long as the Notes are held by the Securities Depository, payments of interest on the Notes shall be made in accordance with the requirements of the Securities Depository. Interest payable on each Liquidity Enhanced Note, Clearing Market Rate Note or Purchased Note shall be the interest accrued and unpaid to and including the day preceding the Interest Payment Date.

(b) **Method of Calculation.** The Notes shall bear interest from and including their Issue Date or Conversion Date, to but excluding the date on which the Notes mature or are redeemed, computed (i) unless otherwise specified for a series of Notes by an Authorized Officer of the State as described under the heading entitled "Form and Denominations", on the basis of (x) a 365 or 366-day year, as appropriate, and actual days elapsed during each Initial Rate Period, Daily Rate Period, Clearing Market Rate Period or Weekly Rate Period, or (y) a 360-day year of twelve 30-day months during each Term Rate Period; and (ii) on Purchased Notes, as otherwise provided in the applicable Standby Agreement. Interest on Clearing Market Rate Notes shall be calculated as described under the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement.

Determination of Rates.

Each Note shall bear interest as described below (or as described under the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement for Clearing Market Rate Notes). Interest shall be paid on each Interest Payment Date at the Interest Period Rate for the preceding Interest Period.

(a) **Daily Rate.** The Remarketing Agent for each Note in a Daily Rate Mode shall determine a Daily Rate for each Daily Rate Period no later than 10:00 a.m. on each Business Day. The Daily Rate for any day which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day.

The Daily Rate shall be determined by the Remarketing Agent to be the lowest rate of interest that, if borne by such Notes for such Daily Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities, which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of such Notes, would enable such Note to be sold on the day of the applicable Daily Rate Period at a price of par, plus accrued interest, if any.

The Remarketing Agent shall make the Daily Rate available to any Registered Owner, the Paying Agent, the Tender Agent, the State and the Liquidity Provider requesting such rate, and on the last Business Day of each calendar month, shall give notice to the Paying Agent, the Tender Agent, the State and the Liquidity Provider of the Daily Rates that were in effect for each day of such calendar month via Electronic Means.

If for any reason (i) the Daily Rate for a Daily Period is not established as aforesaid, (ii) no Remarketing Agent shall be serving hereunder for the Notes, maturity and Rate Mode, (iii) the Rate so established is held to be invalid or unenforceable with respect to a Daily Rate Period or (iv) pursuant to the Remarketing Agreement the

Remarketing Agent is not then required to establish a Daily Rate, then the Daily Rate for such Daily Rate Period shall continue in effect for two weeks, and thereafter such Notes shall bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

(b) Weekly Rate. The Remarketing Agent for each Note in a Weekly Rate Mode shall determine a Weekly Rate for each such Weekly Rate Period not later than 10:00 a.m. of the first day of each such Weekly Rate Period. The Weekly Rate shall be determined by the Remarketing Agent to be the lowest rate of interest that, if borne by such Notes for such Weekly Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of such Notes, would enable such Note to be sold on the first day of the applicable Weekly Rate Period at a price of par, plus accrued interest, if any.

On the last Business Day of each calendar month, the Remarketing Agent shall give notice to the Paying Agent, the Tender Agent, the State and the Liquidity Provider, of the interest rates that were in effect for each day of each Weekly Rate Period of such calendar month via Electronic Means.

If for any reason (i) the Weekly Rate for a Weekly Rate Period is not established as aforesaid, (ii) no Remarketing Agent shall be serving hereunder for such series of the Notes, (iii) the Rate so established is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Weekly Rate, then the Weekly Rate for such Weekly Rate Period shall continue in effect for two weeks, and thereafter, such Notes shall bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

(c) Term Rate. No less than 20 Business Days prior to the end of each Term Rate Period for a Note, the State shall deliver to the Paying Agent, Tender Agent and the Remarketing Agent for such Note written notice of the State's determination of the next succeeding Term Rate Period, which Term Rate Period shall end on the day preceding a Business Day, which Business Day shall be prior to the maturity date of such Note; or if the State fails to specify the next succeeding Term Rate Period, such Term Rate Period shall be the same period as the immediately preceding Term Rate Period but shall end on the day preceding a Business Day prior to the maturity date of such Note.

The Remarketing Agent shall use its best efforts to determine the Term Rate not later than two Business Days prior to the first day of a Term Rate Period. The interest rate applicable to a Note in the Term Rate Mode shall be the lowest rate that, in the judgment of the Remarketing Agent having due regard for the prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of such Notes, would enable such Note to be sold on the first day of the applicable Term Rate Period at a price of par, plus accrued interest, if any. If the Remarketing Agent is unable to remarket all of the Notes in the Term Rate Mode at the interest rate determined by the Remarketing Agent pursuant to the preceding two sentences, the Remarketing Agent may at any time prior to the first day of a Term Rate Period increase the interest rate to the lowest rate of interest that, in the judgment of the Remarketing Agent having due regard for the prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of such Notes, would enable such Notes to be sold on such first day of a Term Rate Period at a price of par, plus accrued interest, if any. The Remarketing Agent shall give written notice of the increased interest rate concurrently to the Paying Agent, the Liquidity Provider and the State. The Paying Agent shall notify by mail the State, the Liquidity Provider and each Registered Owner of the Notes of any such adjustment in the interest rate.

In the event of a change in duration of the Term Rate Period, the interest rate will not be reset unless on or before the Reset Date the State receives a Favorable Opinion of Bond Counsel.

If for any reason, the interest rate for a Note in the Term Rate Mode is not or cannot be determined by the Remarketing Agent for such Note in the manner specified above, the interest rate on such Note will be equal to the Thomson Municipal Market Data AAA Curve for Tax-Exempt Notes or, if necessary, the yield determined by a generally accepted comparable successor index designated by the State on bonds with the same federal income tax

treatment and long-term ratings that mature on a date that is as nearly as practical the same date as the date on which the new Term Rate Period for such Note will end. If such index or successor is no longer published, the interest rate then in effect shall continue in effect on such Note.

(d) Purchased Note Rate. Subject the conditions described under the Section entitled "STANDBY AGREEMENTS" with respect to Self-Liquidity Notes, Purchased Notes (other than Contractual Bidder Notes) will bear interest at the Purchased Note Rate and as follows:

(i) Unless otherwise specified in the Standby Agreement, if on any date the Purchased Note Rate would, if not limited, exceed the Maximum Rate, then each Purchased Note shall bear interest at the Maximum Rate applicable thereto, and if thereafter the Purchased Note Rate is less than such Maximum Rate, each Purchased Note shall, to the extent permitted by law, continue to bear interest at the Maximum Rate until such time as the total interest paid and accrued in respect to said Purchased Note is equal to the total interest that the Registered Owner thereof would have received (together with, to the extent permitted by law, interest, at the rate set forth in the Standby Agreement, on any amounts the payment of which was deferred by reason of such limitation) if such Purchased Notes had borne interest without regard to such limitation.

(ii) To the extent required by the applicable Standby Agreement, upon the delivery of a Purchased Note, or the transfer of ownership interests therein if such Purchased Note is a Book-Entry Bond, as described in (b) under the heading entitled "Delivery of Purchased Notes", the State shall (to the extent not already obtained) obtain CUSIP numbers reserved for assignment solely to Purchased Notes and the Tender Agent shall arrange for such Purchased Note, or ownership interests therein, to be assigned a CUSIP number identifying such Purchased Note as bearing interest at the Purchased Note Rate from the date of purchase thereof. The CUSIP number so assigned to such Purchased Note shall remain in effect so long as such Note is a Purchased Note and until the purchase price thereof and interest accrued thereon shall have been paid to the Registered Owner of such Purchased Note, whereupon such Note shall be assigned a CUSIP number not specifically reserved for Purchased Notes, identifying such Note as bearing interest from the date of such assignment, as provided hereunder for Notes of such series and maturity which are not Purchased Notes.

(iii) Each Purchased Note shall bear interest for each day it is a Purchased Note, (A) on the principal thereof at the Purchased Note Rate for such day, (B) on any interest that has accrued on such Note to but excluding the date of purchase of such Note by the Liquidity Provider to the extent that such accrued interest was included in the Purchase Price for such Note, if such interest was not due on the date of purchase by the Liquidity Provider pursuant to other provisions of such Note or the Standby Agreement, at the Purchased Note Rate for each day from and including the date of Liquidity Provider purchase to but excluding the date on which such interest otherwise becomes due pursuant to other provisions of such Note or the Standby Agreement ("regular due date"), and (C) if required in the applicable Standby Agreement, on any overdue interest on such Note, at the rate specified in such Standby Agreement.

(iv) All interest on a Purchased Note shall be payable on the first Business Day of each calendar month, on the date that such Purchased Note ceases to be a Purchased Note, on each date specified in the applicable Standby Agreement, on the date of redemption or maturity, and after maturity on demand. The portion of Purchase Price, if any, constituting accrued interest on Purchased Notes shall be repaid on the first Interest Payment Date following the date such Notes are purchased.

(e) Limitations on Rates and Rate Periods. No Note shall bear interest at a rate exceeding the Maximum Rate. No Rate Period with respect to Liquidity Enhanced Notes shall extend beyond the Expiration Date of the Standby Agreement then in effect, if any (or if such day is not a Business Day, the immediately preceding Business Day).

(f) No Liability. In determining the Rate, neither the State, the Market Agent, nor the Remarketing Agent shall have any liability to the Paying Agent, the Tender Agent, any Liquidity Provider or any Noteholder, except for its respective willful misconduct or gross negligence.

Determination of Rate Mode.

Each series of the Notes are delivered in an initial Rate Mode as determined by the Capital Finance Director as described in (a) under the heading entitled "Rate Modes; Maturity; Payment of Principal; Redemption; Transfer", and shall continue in such Rate Mode until redemption, maturity or until Converted as described under the heading entitled "Determination of Rate Mode".

(a) **Conversion of Rate Modes.**

(i) No Conversion of a Rate Mode shall occur as described in this paragraph (a) unless:

(A) upon Conversion to the Daily Rate Mode, Weekly Rate Mode, Alternative Trading System Mode or Term Rate Mode, a Standby Agreement shall be in effect (provided, however, with respect to a Conversion to Term Rate Mode, it need only be in effect to the extent required by the State), which shall provide for coverage of interest for at least the Minimum Coverage Period; and any conditions to the Conversion to the new Rate Mode specified in the Standby Agreement shall have been satisfied;

(B) on or prior to 10:00 a.m., on the Conversion Date, the State shall deliver to the affected Liquidity Provider, the affected Remarketing Agent, the Tender Agent, the Paying Agent and, if the proposed Conversion is to or from the Alternative Trading System Mode, the Market Agent, a Favorable Opinion of Bond Counsel with respect to such proposed Conversion;

(C) if the Conversion is to the Alternative Trading System Mode, on or prior to the Conversion Date the Market Agent has been appointed;

(D) if the Conversion is from the Alternative Trading System Mode to the Daily Rate Mode, Weekly Rate Mode, or Term Rate Mode, (1) the Remarketing Agent has been appointed, and (2) the Conversion is with respect to all Notes of a particular series then outstanding; and

(E) such Conversion is not inconsistent with any action taken by the State as described in (e) under the heading entitled "Determination of Rates".

(ii) In the event that (A) the requirements of this paragraph (a) have not been met on a scheduled Conversion Date or (B) on the Business Day preceding a scheduled Conversion Date, the Remarketing Agent notifies the Tender Agent, the State and the affected Liquidity Provider that any affected Note subject to remarketing cannot be remarketed or (C) prior to 10:00 a.m. on the Business Day preceding a Conversion Date, the State notifies the affected Remarketing Agent or Market Agent, as applicable, the affected Liquidity Provider and the Tender Agent that it does not want the affected Notes to be converted to a new Rate Mode, then notice shall be given substantially in the form attached to the Program Resolution and the succeeding Rate Mode shall be (y) the Rate Mode previously in effect or (z) at the option of the State, exercised by filing a certificate of Authorized Officer with the Tender Agent, the affected Remarketing Agent and the affected Liquidity Provider with a Favorable Opinion of Bond Counsel, any other Rate Mode selected by the State to which such Notes are duly converted.

(b) **Additional Provisions Regarding Conversion to Term Rate Mode.**

(i) No Note shall be converted to the Term Rate Mode unless:

(A) the Conversion Date is (1) at least 15 days after receipt by the Paying Agent and the Tender Agent of the Conversion Notice (or such shorter period as may be agreed to by the Tender Agent and the Securities Depository) and (2) at least three days after the Tender Agent has mailed the notice referred to in paragraph (c) (iii) of this heading; and

(B) at least three days prior to the proposed Conversion Date, the Tender Agent has received a certificate of an Authorized Officer of the State stating that a written agreement has been entered into by the State and a financially responsible party providing for the purchase by such party as an underwriter or remarketing agent for resale to the public (or as an investor for the party's own account) of the Notes to be converted on the Conversion Date at a price equal to the principal amount thereof (or such other price as the State may determine if the sale of such Notes at such other price would not prevent the Favorable Opinion of Bond Counsel required by paragraph (a)(i)(B) above from being delivered upon such sale), which written agreement (y) may be subject to reasonable terms and conditions which, in the judgment of the State, reflect current market standards and (z) must include a provision requiring payment of the purchase price for the Notes to be Converted to be made in immediately available funds.

(c) Notice Requirements.

(i) Conversion Notice. Not less than 3 days prior to the date notice is required to be provided pursuant to (c)(iii) below, the State shall deliver to each affected Remarketing Agent, the Depository, the affected Liquidity Provider, the affected Market Agent, the Paying Agent, and the Tender Agent, as applicable, a written notice, which notice shall be deemed received upon telephone confirmation of receipt thereof by the affected Remarketing Agent or Marketing Agent, as applicable, and the Tender Agent, specifying (A) the Notes to be Converted, (B) the Conversion Date, (C) the Rate Mode that will be effective upon such Conversion, and (D) if applicable, (x) the Optional Redemption Dates, (y) the Term Rate Period or (z) the length of the Initial Period, the first Bid Process Date, the first Interest Payment Date and the initial Clearing Market Rate Period.

(ii) Selection of Notes to be Converted. Any Conversion must be of all Notes of a particular series outstanding. If less than all of the Notes of a series then subject to a particular Rate Mode are to be Converted to a new Rate Mode, the State shall cause all Notes of such series to be tendered for Conversion and shall divide such series into two subseries, one of which will be Converted and the other of which will be remarketed in the prior Rate Mode. Prior to such a Conversion, the State shall obtain Rating Confirmation (except for Conversions to a Rate Mode in which the Minimum Coverage Period is not greater than the number of days of interest coverage provided by the Standby Agreement in effect for such Notes both immediately prior to and upon such Conversion Date) and the particular Notes which are to be Converted to a new Rate Mode shall be selected by the Tender Agent (or, if the State so elects, the State) in Authorized Denominations.

(iii) Notice to Noteholders. As soon as practicable after receipt of a Conversion Notice, but in any event not more than three calendar days after the date such Conversion Notice is received and at least 10 calendar days prior to the Conversion Date specified in such Conversion Notice, the Tender Agent shall give notice by first-class mail to the Registered Owners of the Notes to be Converted, which notice shall state in substance:

(A) the Conversion Date;

(B) that the Rate Mode shall not be Converted unless the State receives on the Conversion Date a Favorable Opinion of Bond Counsel;

(C) the name and address of the principal corporate trust offices of the Paying Agent and Tender Agent;

(D) that the Notes to be Converted shall be subject to mandatory tender for purchase on the Conversion Date as described in (d) under the heading entitled "Tender of Notes for Purchase" at the Purchase Price; and

(E) that upon the Conversion, if and to the extent that there shall be on deposit with the Tender Agent on the Conversion Date an amount sufficient to pay the Purchase

Price of the Notes so Converted, such Notes not delivered to the Tender Agent on the Conversion Date shall be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right on behalf of the Registered Owner thereof to the payment of principal of or interest thereon and shall represent and constitute only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon from and after the Conversion Date.

Failure to mail the notice described in this clause (iii), or any defect therein, shall not affect the validity of any Rate, the change in the Rate Mode, the mandatory tender of Notes, or extend the period for tendering any of the Notes for purchase, and the Tender Agent shall not be liable to any Noteholder by reason of its failure to mail such notice or any defect therein.

(iv) Additional Notice Parties. Each notice required by paragraph (a), (b) or (c) of this heading shall also be given to the related Liquidity Provider and each Rating Agency; but the giving of any such notice to such persons shall not be a condition precedent to the Conversion of the Notes to a new Rate Mode, to the continuation of any Rate Mode as described under this heading or to the rescission of a Conversion Notice, and failure to give any such notice to such persons shall not affect the validity of the proceedings for such Conversion, continuation or rescission.

TENDER AND PURCHASE OF NOTES

Tender of Notes for Purchase.

Liquidity Enhanced Notes shall be tendered for purchase in as described under the heading entitled "Tender of Notes for Purchase", except for Notes bearing interest in the Alternative Trading System Mode, which shall be tendered for purchase as described under the Section entitled "CLEARING MARKET RATE NOTES" and in Appendix E of this Official Statement.

(a) Optional Tender of Book-Entry Notes. If a series of Notes is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, for so long as a Note bears interest in a Daily Rate Mode or a Weekly Rate Mode and DTC is the Depository therefor, a Direct Participant, acting on behalf of a Beneficial Owner, shall have the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Note for purchase on any Optional Tender Date, by the giving or delivering to the Tender Agent with a copy to the affected Remarketing Agent at their respective principal offices a Tender Notice which states (i) the aggregate principal amount of each Note to be purchased and (ii) that such principal amount shall be purchased on such Optional Tender Date pursuant to the Authorizing Resolution.

Such Tender Notice shall be delivered, in the case of Notes bearing interest (i) at a Daily Rate, not later than 11:00 a.m. on the Optional Tender Date, (ii) reserved, and (iii) at a Weekly Rate, not later than 5:00 p.m., on a Business Day at least 7 days prior to the Optional Tender Date.

Any Tender Notice given or delivered in accordance with this paragraph (a) shall be irrevocable and shall be binding on the Direct Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner and the principal amount of the Notes for which a Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of such Notes to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Notes to be tendered on such Optional Tender Date pursuant to a Tender Notice given pursuant to this paragraph (a), ownership of such aggregate principal amount of Notes shall be recorded in the records of DTC as transferred to the order of the Remarketing Agent.

(b) Optional Tender of Other Notes. If a series of Notes is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, for so long as a Note bears interest in a Daily Rate Mode or Weekly Rate Mode and DTC is not the Depository therefor, the Registered Owners of the Notes shall have the right to tender any Note to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(i) giving or delivering to the Remarketing Agent and the Tender Agent at their respective principal offices, not later than (A) 11:00 a.m. on the Optional Tender Date in a Daily Rate Mode, (B) reserved or (C) 5:00 p.m., on a Business Day at least 7 days prior to the Optional Tender Date in a Weekly Rate Mode, an irrevocable telephonic Tender Notice subsequently confirmed in writing (substantially in the form attached to the Program Resolution) the same day which Tender Notice states the aggregate principal amount in an Authorized Denomination of each Note to be purchased and that such Note shall be purchased on such Optional Tender Date; and

(ii) delivery of such Note (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m. on such Optional Tender Date; which Note shall conform to the aforesaid notice.

Any Tender Notice given or delivered in accordance with this paragraph (b) shall be irrevocable and shall be binding on the Noteholder giving such Tender Notice and on any transferee of such Noteholder.

(c) Additional Notice. The Remarketing Agent shall give the Liquidity Provider and the Tender Agent prompt notice by telephone or Electronic Means of the receipt of any Tender Notice in accordance with paragraphs (a) and (b) of this heading; and while the Notes are bearing interest in the Weekly Rate Mode, the Tender Agent shall use its best efforts to provide the Liquidity Provider with prompt notice by telephone (i) of the receipt of any Tender Notice with respect to Tendered Notes, and (ii) of the principal amount of Tendered Notes for which the Tender Agent is aware that a remarketing has not been arranged by 4:00 p.m. on the day prior to the date the Tender Agent is required to take such actions as are necessary under the related Standby Agreement to obtain the full Purchase Price of all Tendered Notes; but the failure of the Tender Agent to provide such notification to the Liquidity Provider shall not affect the obligation of the Liquidity Provider to honor any properly presented request by the Tender Agent for the payment of the Purchase Price of Tendered Notes as described under the heading entitled "Remarketing".

(d) Mandatory Tenders. If a series of Notes is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, or pursuant to clause (vi) below, Notes of each series are subject to mandatory tender and purchase, as applicable, at the Purchase Price on the following dates:

(i) on each Conversion Date;

(ii) on the Business Day following each Rate Period for a series of Notes in the Term Rate Mode;

(iii) on a Business Day specified by the Tender Agent, at the direction of the State, which shall be not less than one Business Day prior to the substitution of a Standby Agreement (including assignments) or the Expiration Date of any Standby Agreement (which Standby Agreement will be drawn upon to pay the Purchase Price of unremarketed Tendered Notes), unless a substitution is occurring and Rating Confirmation has been received from each Rating Agency;

(iv) on a Business Day specified by the Tender Agent, at the direction of the State, but in any event not less than one Business Day prior to the Termination Date of a Standby Agreement relating to the series of Notes specified in the Default Notice delivered in accordance with the Standby Agreement;

(v) if a Credit Facility is in effect for a series of Notes, upon any failure by the State to provide funds to the Paying Agent for the payment of principal or interest by 11:00 a.m. on the maturity or mandatory redemption date or Interest Payment Date for such Notes, in which event the Paying Agent shall notify the Tender Agent by 11:15 a.m. and the Tender Agent, shall cause (A) a draw to be made upon each Liquidity Provider pursuant to each Credit Facility prior to 11:30 a.m. for the immediate purchase of the Notes of such series and (B) notice of mandatory tender to be given to each Registered Owner of such Notes, substantially in the form attached to the Program Resolution, effective on the same day or (without prejudice to the obligatory character of clause (A) above), if funds are not available therefor until the next Business Day pursuant to the Credit Facility because of late delivery of the draw notice, then on such next Business Day; and

(vi) on any Optional Redemption Date, at the State's option, upon 10 days' Written Notice to Registered Owners, subject to the State's providing a source of payment therefor in accordance with the Authorizing Resolution. If notice of mandatory tender has been given under this clause (vi) and funds prove insufficient, the terms described in (a)(ii) under the heading entitled "Determination of Rate Mode" shall apply, as if a Conversion had been proposed.

Effective upon any Mandatory Tender Date, the State may elect that (x) one or more of the sinking fund installments of any Tendered Note that is a term bond may be serialized, or (y) two or more serial bonds may be aggregated to a term bond maturing on the latest date on which any such serial bond matures, with the date on which each such serial bond matured to be a date on which a sinking fund installment shall be due and payable in the amount of the serial bond. The principal amount of each serial bond shall be in an Authorized Denomination. The State shall obtain a Favorable Opinion of Bond Counsel by the effective date of either such election.

(e) Notices of Mandatory Tenders. Whenever Notes are to be tendered for purchase upon Conversion, the Tender Agent shall give the notices described in (c)(iii) of the heading Determination of Rate Mode. Whenever Notes are to be tendered for purchase in accordance with the terms described in (d)(iii) or (iv) under the heading entitled "Tender of Notes for Purchase", the Tender Agent shall, not less than five calendar days prior to the Expiration Date or Termination Date, give notice (substantially in the form attached to the Program Resolution) by first-class or electronic mail to the Registered Owners (or, if the Registered Owner is a Securities Depository, in such manner as is required by the Securities Depository) of the affected Notes that such Notes are subject to mandatory tender as described in (d) under the heading entitled "Tender of Notes for Purchase".

(f) Tendered and Deemed Tendered Notes. If a Noteholder fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Note subject to mandatory tender for purchase or any Note, other than a Book-Entry Bond, for which an election to tender has been duly made, such Note shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the purchase date thereof an amount sufficient to pay the Purchase Price of the Tendered Notes, such Tendered Notes shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of any person who on a Record Date is the Registered Owner of a Note to receipt of interest, if any, due thereon on the date such Note is required to be purchased.

(g) Purchase of Tendered Notes. On each Tender Date the Tendered Notes shall be purchased by the Tender Agent at the applicable Purchase Price, which shall be paid by 3:00 p.m., on the Tender Date. The Purchase Price for the Tendered Notes shall be paid by the Tender Agent from amounts available in the Purchase and Remarketing Fund or otherwise made available to the Tender Agent to purchase Tendered Notes. The Purchase Price for Tendered Notes on a Tender Date occurring during a period in which the Remarketing Agent does not remarket Notes as described in (c) of the heading entitled "Remarketing" shall be paid from the proceeds of a draw on the Standby Agreement. Tendered Notes so purchased shall be delivered as described under the heading entitled "Delivery of Purchased Notes".

(h) Tender Agent as Conduit. In purchasing Notes hereunder, the Tender Agent shall be acting as a conduit and shall not be purchasing Notes for the State's (other than with respect to any Self-Liquidity Purchased Notes) or its own account and in the absence of written notice from the Liquidity Provider shall be entitled to assume that any Note tendered to it, or deemed tendered to it, for purchase is entitled to be so purchased.

(i) Tendered Notes Held in Trust. The Tender Agent shall accept delivery of all Notes surrendered to it in accordance herewith, and hold such Notes in trust for the benefit of the respective Registered Owners that shall have so surrendered such Notes, until the Purchase Price of such Notes shall have been delivered to or for the account of or to the order of such Registered Owners or otherwise held by the Tender Agent.

Remarketing.

Tendered Notes other than Tendered Notes that are Clearing Market Rate Notes shall be remarketed as described under this heading.

(a) Duty to Remarket. Except as otherwise described in (a) under the heading entitled "Determination of Rate Mode" or under this heading, upon receipt of any notice given as described in (c) under the heading entitled "Determination of Rate Mode" or under the heading entitled "Tender of Notes for Purchase" that any Notes will be or are required to be tendered for purchase as described under the heading entitled "Tender of Notes for Purchase", the Remarketing Agent for a Note shall use its best efforts to remarket such Tendered Note on its Tender Date at a price equal to the Purchase Price. By 11:30 a.m., on each Tender Date, the Remarketing Agent shall give notice by Electronic Means to the Liquidity Provider, the Paying Agent, the Tender Agent and the State of the principal amount of Tendered Notes for which it has arranged a remarketing (and such other particulars with respect thereto as the State or the Remarketing Agent deems necessary), along with the principal amount of Tendered Notes, if any, for which it has not arranged a remarketing, and shall transfer to the Tender Agent the proceeds of the remarketing of the Tendered Notes. By (x) 11:45 a.m., on each Tender Date, and (y) 3:30 p.m., on the Business Day prior to the Conversion Date, the Tender Agent shall notify the State and the Liquidity Provider of the amount required to be paid for the Purchase Price of the related Notes to be tendered; but the failure to give such notice shall not affect the right of the Tender Agent to obtain money under the related Standby Agreement. By 12:00 noon, on each Tender Date, the Tender Agent shall take such actions as may be required under a Standby Agreement to obtain thereunder the full Purchase Price of all Tendered Notes to which such Standby Agreement relates (not including Excluded Notes), less the proceeds of the remarketing of such Tendered Notes theretofore transferred to the Tender Agent by the Remarketing Agent. The Tender Agent shall notify the State of the amounts so obtained.

(b) Deposit of Remarketing Proceeds. Any money received by the Tender Agent as proceeds of the sale of the Tendered Notes as described in (a) under the heading entitled "Remarketing" that have been transferred to the Tender Agent shall be deposited and held by the Tender Agent in the Remarketing Proceeds Account. Additional amounts, if any, received by the Tender Agent from the State or a Liquidity Provider shall be deposited and held by the Tender Agent as described under the heading entitled "Purchase and Remarketing Fund".

(c) Limitation on Remarketings. The Remarketing Agent shall not, during any period during which a Standby Agreement is required to be in effect as described under the heading entitled "Standby Agreements", remarket to the State or the applicable Liquidity Provider, Tendered Notes to which such Standby Agreement relates; nor shall it remarket Liquidity Enhanced Notes (i) if upon such remarketing the amount available to be drawn under the Standby Agreement for the payment of the Purchase Price of the outstanding Notes to which such Standby Agreement relates is less than the amount determined as described under the heading entitled "Standby Agreements", (ii) if the Standby Agreement related to such Tendered Notes then in effect will expire or terminate within 10 days after the Tender Date of the Tendered Notes, unless (x) such Standby Agreement has been extended, (y) another Standby Agreement shall have been delivered to the Tender Agent as described under the heading entitled "Standby Agreements" or (z) each prospective Registered Owner has been advised of the pending mandatory tender, or (iii) if the Liquidity Provider has delivered a notice in accordance with the applicable Standby Agreement that Tendered Notes are not to be remarketed and such notice remains in effect.

Delivery of Purchased Notes.

Notes of the aggregate principal amount (in Authorized Denominations) purchased as described under the heading entitled "Tender of Notes for Purchase" shall be delivered as follows:

(a) Notes purchased as described in (c) under the heading entitled "Purchase and Remarketing Fund" *First* shall be authenticated and delivered by the Tender Agent to the purchasers thereof or, in the case of Book-Entry Notes, recorded in the records of DTC as a transfer of ownership of such principal amount to the accounts of the Direct Participants purchasing such aggregate principal amount. Notes, portions of which shall have been so purchased, shall be registered with respect to principal amounts thereof so purchased and not so purchased as provided in clause (b) or (c) below;

(b) Purchased Notes purchased as described in (c) under the heading entitled "Purchase and Remarketing Fund" *Second* shall be registered for transfer to the Liquidity Provider or, at the direction of the Liquidity Provider, to a Qualified Purchaser, or, in the case of Book-Entry Notes, recorded in the records of DTC as a transfer of ownership of such principal amount to the account of the Liquidity Provider or, at the direction of the Liquidity Provider, to a Qualified Purchaser. Upon such registration of transfer in the case of Purchased Notes that are not Book-Entry Notes, the Notes issued in respect thereof shall be (i) delivered to and held by the Tender Agent on behalf

of the Liquidity Provider or (ii) if requested by the Liquidity Provider, delivered to and held by the Liquidity Provider, a Qualified Purchaser or a designee thereof. The Tender Agent shall not deliver a Purchased Note to the purchaser thereof upon a remarketing, unless the Liquidity Provider has released such Purchased Note for such purpose and notified the Tender Agent that the amount available to be paid under any Standby Agreement then in effect shall have been reinstated to the extent required by the Program Resolution; and

(c) Notes purchased as described in (c) under the heading entitled "Purchase and Remarketing Fund" *Third* shall be cancelled or, if approved by a Favorable Opinion of Bond Counsel, authenticated, registered for transfer to or upon the order of the State or its agent and delivered to or upon the order of the State, or, in the case of Book-Entry Notes, recorded in the records of DTC as a transfer of ownership of such principal amount to the Direct Participant acting on behalf of the State.

Purchase and Remarketing Fund.

(a) The Program Resolution establishes the Purchase and Remarketing Fund with the Tender Agent as an Eligible Account. The Program Resolution establishes the following accounts within the Purchase and Remarketing Fund: (i) the Purchase Account, (ii) the Remarketing Proceeds Account and (iii) the State Account. The Tender Agent shall establish in each of the Purchase Account and the Remarketing Proceeds Account separate subaccounts for the Notes of like series and Rate Mode. Amounts in each subaccount in the Purchase Account and the Remarketing Proceeds Account shall be held separate and apart from and not be commingled with any other money. The money in such accounts within the Purchase and Remarketing Fund shall be held uninvested and without liability for interest thereon, for the benefit of the former owners of such Notes, who shall thereafter be restricted to such money in the subaccounts relating to such Notes of like series and Rate Mode for the satisfaction of any claim for the Purchase Price of such Notes.

(b) All amounts received by the Tender Agent from a Remarketing Agent representing the proceeds from the remarketing of Tendered Notes of like series and Rate Mode shall be deposited in the applicable subaccount in the Remarketing Proceeds Account and shall be used only for the payments of the Purchase Price of Tendered Notes so remarketed as described under the heading entitled "Remarketing" or for the payment of the Liquidity Provider for Purchased Notes which have been remarketed. All amounts derived from a drawing on a Standby Agreement to pay the Purchase Price of Tendered Notes of like series and Rate Mode shall be deposited in the applicable subaccount in the Purchase Account and used only for the payment of the Purchase Price of Tendered Notes in the manner at the times specified under the heading entitled "Tender of Notes for Purchase". All other money to be applied to the payment of the Purchase Price of Tendered Notes shall be deposited in the State Account and used only for the payment of the Purchase Price of Tendered Notes of any series in the manner described under the heading entitled "Tender of Notes for Purchase" or for the payment of any Liquidity Provider for Purchased Notes. The State shall have no obligation to furnish money for the payment of the Purchase Price of Tendered Notes unless the State is the Liquidity Provider as described under the heading entitled "Agreement to Provide Self-Liquidity for Notes".

(c) The Purchase Price of Tendered Notes shall be paid from amounts in the Purchase and Remarketing Fund in the following order of priority:

First: From the applicable subaccount in the Remarketing Proceeds Account;

Second: From the applicable subaccount in the Purchase Account; and

Third: From the State Account.

CLEARING MARKET RATE NOTES

Tender for Purchase.

Notes bearing interest in the Alternative Trading System Mode are subject to mandatory tender for purchase as described in Appendix E of this Official Statement.

Determination and Notice of Clearing Market Rates.

The Clearing Market Rate to be applicable during each Clearing Market Rate Period shall be determined and notice thereof shall be given as provided in Appendix E of this Official Statement.

Notice of Redemption and Amendments.

(a) While the Notes are in an Alternative Trading System Mode, in addition to any requirement set forth in the Program Resolution, notice of redemption shall comply with the requirements in Appendix E of this Official Statement and as further provided in the applicable Authorizing Resolution.

(b) All notices regarding amendments to the Program Resolution or the Authorizing Resolution shall be delivered to the Market Agent at the time and in the same manner as such notices are delivered to the Registered Owners of the Notes. No amendment shall become effective with respect to the Market Agent without the consent of such party if it adversely affects the rights, duties, privileges, immunities and liabilities of such party.

Interest Payable by the State.

(a) The Paying Agent shall determine the aggregate amount of interest payable by the State on the Clearing Market Rate Notes on each Interest Payment Date. Interest due on any Interest Payment Date for Clearing Market Rate Notes of a series shall equal (i) the applicable Clearing Market Rate, multiplied by (ii) the aggregate principal amount of the outstanding Clearing Market Rate Notes of such series, multiplied by (iii) the number of days in each applicable Clearing Market Rate Period or part thereof, as computed below, divided by (iv) 365/366, and rounding the resultant figure to the nearest cent (a half cent being rounded upward). The Paying Agent shall have no responsibility with respect to the determination of the Clearing Market Rate, and shall conclusively rely upon the Clearing Market Rate established by the Alternative Trading System or the Bidding Procedures.

(b) *Applicable Clearing Market Rate.* For each Clearing Market Rate Note, if the Clearing Market Rate is not established by the Alternative Trading System, or for any reason the Clearing Market Rate is not timely provided for any Clearing Market Rate Period, then the Clearing Market Rate for such Clearing Market Rate Period will be determined as provided in the Bidding Procedures.

(c) *Market Agent Fees With Respect to Clearing Market Rate Notes.* The State shall pay to the Market Agent the fees payable pursuant to the Market Agent Agreement. The State or Paying Agent shall, on each Interest Payment Date, disburse the total amount of such fees then due to the Market Agent.

Notification of Rates, Amounts and Payment Dates.

(a) So long as the ownership of Clearing Market Rate Notes is maintained in Book-Entry Form by the Securities Depository, the Paying Agent shall advise the Securities Depository of each Record Date for such Clearing Market Rate Notes at least 2 Business Days prior thereto and request, by 4:00 p.m. on the Business Day immediately preceding each Record Date, that the Securities Depository deliver to the Paying Agent a position listing showing, at the close of business on the applicable Record Date, the aggregate principal amount of Clearing Market Rate Notes.

(b) On the Issue Date of a series of Clearing Market Rate Notes, or as soon as practicable thereafter, and on the Business Day preceding each Interest Payment Date, the Paying Agent shall advise:

(i) the Market Agent, so long as no payment default has occurred and is continuing and the ownership of the Clearing Market Rate Notes is maintained in book-entry form by the Securities Depository, of (x) such next Interest Payment Date and (y) the amount payable to the Market Agent on the Bid Process Date pursuant hereto; and

(ii) the Securities Depository, so long as the ownership of the Clearing Market Rate Notes is maintained in Book-Entry Form by the Securities Depository, of the amount of interest distributable

in respect of each \$100,000 in principal amount to the nearest cent (half a cent being rounded upward) of the Clearing Market Rate Notes for any Clearing Market Rate Period or part thereof, calculated in accordance herewith.

If any day scheduled to be an Interest Payment Date shall be changed after the Paying Agent shall have given the notice referred to in clause (i) of the preceding sentence, the Paying Agent shall, not later than 9:15 a.m., on the Business Day next preceding the earlier of the new Interest Payment Date or the old Interest Payment Date, give notice of such change to the Market Agent, so long as no payment default has occurred and is continuing and the ownership of the Clearing Market Rate Notes is maintained in book-entry form by the Securities Depository.

Market Agent.

(a) The State shall engage the services of a Market Agent for each series of Notes in the Alternative Trading System Mode. The Market Agent and any successor Market Agent shall be a member of the National Association of Securities Dealers, Inc., and authorized by law to perform all the duties imposed upon it hereunder and under the Market Agent Agreement. The Market Agent may resign or be removed as specified in the Market Agent Agreement. The Paying Agent shall not be liable for any action taken, suffered or omitted by the Market Agent.

(b) If the Market Agent shall resign or be removed or be dissolved, or if the property or affairs of the Market Agent shall be taken under the control of any court or administrative body, the State shall use its best efforts to appoint a successor Market Agent or Remarketing Agent.

(c) In the absence of bad faith, negligent failure to act or negligence on its part, the Market Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Market Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Market Agent shall have been negligent in ascertaining or failing to ascertain the pertinent facts.

Provisions Relating to Bidding Procedures.

The State shall not be responsible for any failure by any Securities Depository to effect any transfer or to provide the Market Agent with current information regarding registration of transfers.

Agreement of Holders.

By purchasing Clearing Market Rate Notes, each purchaser of Clearing Market Rate Notes will be deemed to have agreed to the provisions for the replacement of the Market Agent, and determination of the Market Agent fee, as provided in the Program Resolution, and relevant agreements among the State, the Paying Agent, Tender Agent and the Market Agent.

THE REMARKETING AGENT

Appointment of Remarketing Agent.

The State shall engage the services of one or more Remarketing Agents for each series of Liquidity Enhanced Notes except for Clearing Market Rate Notes. References in this Section to Tendered Notes shall not include Notes in the Clearing Market Rate Mode, including Purchased Clearing Market Rate Notes.

Powers and Duties of Remarketing Agent.

Each Remarketing Agent shall be authorized by law to perform all the duties imposed upon it hereby, the related Remarketing Agreement and the related Standby Agreement. Acceptance of the duties and obligations of the Remarketing Agents hereunder and under the Remarketing Agreements and the Standby Agreements shall be signified

and acknowledged by execution of the respective Remarketing Agreements. Any Remarketing Agreement shall provide that the Remarketing Agent will, among other things:

(a) determine the Rates and Rate Periods and give notice of such Rates and Rate Periods as described under the Section entitled "INTEREST RATES ON NOTES";

(b) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice; and

(c) use its best efforts to remarket Tendered Notes (including Purchased Notes) in accordance with the Program Resolution and the Remarketing Agreement.

The Remarketing Agreement may contain such other provisions as the State deems necessary or advisable.

Change of Remarketing Agent.

The State may remove any Remarketing Agent and any Remarketing Agent may resign at such times and upon such conditions as provided in the applicable Remarketing Agreement. Upon such removal or resignation the State, with the consent of the related Liquidity Provider if required by the Standby Agreement, shall appoint a successor thereto.

Successor Remarketing Agents.

Any Person which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested in all the property, rights and powers of such Remarketing Agent hereunder.

(a) In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the State shall appoint or cause the appointment of a successor within 30 days of any such action as described under the heading entitled "Change of Remarketing Agent".

(b) Each successor Remarketing Agent shall at all times be registered under section 15 or 15B of the Securities Exchange Act of 1934, as amended, and have net capital of at least \$50,000,000. The Paying Agent shall give written notice to the Noteholders and the Liquidity Provider for such series and each Rating Agency of any resignation, removal or appointment of the Remarketing Agent.

(c) If, at any time and for any reason, there is no entity serving as Remarketing Agent, the Tender Agent shall assume the duties of Remarketing Agent solely for the purpose of accepting notices of tender and shall have no other duties whatsoever as Remarketing Agent hereunder.

STANDBY AGREEMENTS

Standby Agreements.

For any series of Notes bearing interest in the Daily Mode, Weekly Mode or Alternative Trading System Mode, the State shall, and for any series of Notes bearing interest in the Term Rate Mode the State may, keep in effect one or more Standby Agreements for the benefit of the owners of such series, which shall require a financially responsible party or parties other than the State to purchase all or any portion of such Notes tendered by the holders thereof for repurchase prior to the final maturity of such Notes or the State shall be the Liquidity Provider as described under the heading entitled "Agreement to Provide Self-Liquidity for Notes". The State shall cause the amounts under the Standby Agreements to be used only to pay the Purchase Price of Notes that are not Excluded Notes. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons meeting any applicable

statutory requirements and determined by the Capital Finance Director to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of such Notes which may be tendered for repurchase by the holders thereof.

The State shall give Written Notice to each affected Noteholder at least 10 days prior to any extension or substitution.

Liquidity Conditions.

Upon the occurrence of a suspension condition, as specified in a Liquidity Facility, the Liquidity Provider's obligations to purchase the related Notes shall immediately be suspended (but not terminated) without notice or demand to any person and thereafter the Liquidity Provider shall be under no obligation to purchase such Notes (nor shall such Notes be subject to optional or mandatory tender for purchase) unless and until the Liquidity Provider's commitment is reinstated pursuant to the applicable Liquidity Facility. Promptly upon the occurrence of such suspension condition, the Liquidity Provider shall notify the State, the Tender Agent, the Market Agent or the Remarketing Agent (as applicable) of such suspension in writing and the Tender Agent shall promptly relay such notice (substantially in the form attached to the Program Resolution) to the Noteholders upon receipt; but the Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of its obligation to purchase such Notes. If the suspension condition shall be cured as described in the applicable Standby Agreement, then the obligations of the Liquidity Provider under the Standby Agreement shall be reinstated (unless the Liquidity Provider's obligations shall have expired or shall otherwise have been terminated or suspended as provided in the Standby Agreement).

Upon the occurrence of an event of immediate termination, as specified in a Liquidity Facility, the Liquidity Provider's obligation under the Liquidity Facility to purchase the related Notes shall immediately terminate without notice or demand to any person, and thereafter the Liquidity Provider shall be under no obligation to purchase such Notes (nor shall such Notes be subject to optional or mandatory tender for purchase). Promptly upon the occurrence of such event the affected Liquidity Provider shall give written notice of the same to the State, the Tender Agent, the Market Agent or the Remarketing Agent (as applicable), and the Tender Agent shall promptly relay such notice (substantially in the form attached to the Program Resolution) to the Noteholders upon receipt; but the affected Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of its obligation to purchase such Notes

Inadequate Funds for Tenders; Loss of Liquidity.

If the funds available for purchase of Liquidity Enhanced Notes are inadequate for the purchase of all such Notes tendered on any Tender Date, or a Liquidity Condition shall exist under a Liquidity Facility, then the Registered Owners shall not have the right to require the State or other persons to repurchase the Notes and the Tender Agent shall give written notice to all Noteholders of the series, substantially in the form attached to the Program Resolution. However, the Registered Owners of Liquidity Enhanced Notes that are not Clearing Market Rate Notes may submit their Notes for remarketing pursuant to the Program Resolution and Remarketing Agreement. Any such Notes that cannot be remarketed shall immediately be returned to the Registered Owners thereof and shall bear interest from such Tender Date at the Maximum Rate. Under a Credit Facility or as long as no Liquidity Condition exists, the obligation to deposit funds in sufficient amounts to purchase such Notes pursuant to the applicable Standby Agreement shall remain enforceable pursuant to the terms thereof and the Program Resolution, and shall only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient, together with the proceeds of any remarketing, to purchase all such Notes that were required to be purchased on such Tender Date, together with any interest which has accrued to the Tender Date.

If sufficient funds are not available for the purchase of all Clearing Market Rate Notes tendered or deemed tendered or otherwise required to be purchased by the Contractual Bidder on any Purchase Date, all of such Clearing Market Rate Notes shall bear interest at the Maximum Rate, from the date of such failed purchase until all Notes are purchased as required in accordance with the Program Resolution.

No Extinguishment.

Notes held by the State as Liquidity Provider or any Liquidity Provider or Qualified Purchaser or by a Fiduciary for the account of any Liquidity Provider or Qualified Purchaser following payment of the Purchase Price of such Notes by the Fiduciary with money provided by any Liquidity Provider shall not be deemed to be retired, extinguished or paid and shall for all purposes remain outstanding.

Liquidity Provider References Ineffective After Expiration or Termination.

From and after the expiration or termination of a Standby Agreement, upon receipt by the State of Written Notice from the Liquidity Provider stating that all amounts payable to the Liquidity Provider under the Standby Agreement have been paid in full, all references to the Liquidity Provider and such Standby Agreement (and related documents, if any) in the Program Resolution and in the applicable Notes shall be ineffective.

Agreement to Provide Self-Liquidity for Notes.

(a) The provisions described in this heading in which the State agrees to provide liquidity for the Notes shall constitute an agreement or ancillary arrangement between the State and the Beneficial Owners of the Notes relating to the Notes within the meaning of Section 18.06(8)(a) of the Wisconsin Statutes, and shall apply only to those Notes designated by the Capital Finance Director.

(b) The Program Resolution establishes as a special fund or account within the Capital Improvement Fund of the State, as designated by the Capital Finance Director or the State Controller (such fund or account hereinafter referred to as the "Self-Liquidity Note Purchase Fund"). Separate subaccounts shall be established with the Self-Liquidity Note Purchase Fund for each series of Notes issued for which the State is providing a Liquidity Facility as described under this heading. The Self-Liquidity Note Purchase Fund and the subaccounts established therein shall only be funded if and when necessary for the purchase of Notes as provided in (d) below from amounts available under the sum sufficient appropriation under Section 20.866 and Section 20.867 of the Wisconsin Statutes for that purpose. The Self-Liquidity Note Purchase Fund, when funded by such appropriation, shall be invested by the Secretary of Administration in legal investments; specifically in the cash purchase of Notes the State has agreed to purchase pursuant to a Standby Agreement under this section. Except as provided in (c) below, during the period the Notes are subject to optional or mandatory tender, moneys then in the Self-Liquidity Note Purchase Fund shall be applied to purchase, as an investment of the Capital Improvement Fund, the Notes tendered for purchase but not remarketed by the Market Agent or Remarketing Agent, as applicable, as of the close of business on the Business Day immediately preceding the Purchase Date (such Notes hereinafter referred to as "Self-Liquidity Purchased Notes" pending their subsequent remarketing after the Purchase Date).

(c) The agreement described under this heading to purchase Notes tendered for purchase but not remarketed by the Market Agent or Remarketing Agent, as applicable, shall terminate and shall not be available for the purchase of the Notes tendered but not remarketed by the Market Agent in the event there occurs any failure to make timely payment of principal of, interest on or redemption premium, if any, required to be made on any general obligation indebtedness of the State, and such failure remains unremedied for more than five (5) days. With respect to a series of Notes which have been designated as described under this heading, the terms described under this heading shall expire and be no longer of effect (i) following the final maturity of such Notes, (ii) the delivery of a Standby Agreement with a Liquidity Provider other than the State with respect to such Notes, or (iii) if the State shall pay, or make provision for the payment of, all Notes as described under the heading entitled "Termination". The terms described under this heading shall not apply and shall be of no effect for any Notes for which the State shall have provided a Standby Agreement with a third-party Liquidity Provider, regardless of whether such Liquidity Provider is complying with its obligations under such Standby Agreement.

(d) Except as provided in (c) above, on each Purchase Date, if the Market Agent or Remarketing Agent, as applicable, has not successfully remarketed all of the Notes tendered for purchase on such Purchase Date, the State hereby covenants and agrees that it will, without the necessity of any further act or appropriation, purchase, or cause to be purchased, from the Tender Agent with moneys available pursuant to the appropriation under Section 20.866 and Section 20.867 of the Wisconsin Statutes for that purpose, in an amount equal to the principal amount of, and unpaid interest accrued through the day immediately preceding the Purchase Date for,

the unremarketed Notes tendered for purchase on such Purchase Date; provided, however, that if with respect to any Note the Purchase Date occurs on an Interest Payment Date, the amount applied to the purchase of such Note as described under this heading shall not include an amount equal to such accrued but unpaid interest, and such interest shall be paid to the tendering Noteholder from the Bond Security and Redemption Fund, along with the payment on such Interest Payment Date of interest on all other outstanding Notes. If the Tender Agent is not then acting as the Paying Agent, the Tender Agent shall provide for notice to the tendering Noteholder, or, in the case of a Note held in a Book-Entry System, to the participant or indirect participant whose account maintains the record of the beneficial ownership of such Note for such tendering Noteholder, that the payment of interest on such Note will be paid to such Noteholder by the Paying Agent. If the Self-Liquidity Note Purchase Fund has insufficient cash to make payment in full of the Purchase Price of tendered Notes, the State hereby covenants to take, or cause to be taken, such actions as may be necessary, including liquidating investments within the portfolio of the Capital Improvement Fund or other funds of the State from which the moneys to accomplish the purchase are to be obtained, to ensure that on the Purchase Date with respect to such Notes there will be sufficient cash in the Self-Liquidity Note Purchase Fund of the Capital Improvement Fund to pay in full the Purchase Price of all tendered but unremarketed Notes on such Purchase Date.

(e) All Self-Liquidity Purchased Notes purchased by the State shall be accounted for in the Self-Liquidity Note Purchase Fund until remarketed by the Market Agent or Remarketing Agent, as applicable, or, at the subsequent election of the State, paid and discharged upon redemption or at maturity, to the extent permitted by the Program Resolution.

(f) Any profit or gain realized or income earned from Self-Liquidity Purchased Notes held as investments in the Self-Liquidity Note Purchase Fund shall be credited to the portfolio of the Capital Improvement Fund, or such other funds or accounts as the Capital Finance Director may designate.

(g) The Capital Finance Director shall cause to be kept as part of the internal records of the Department of Administration regarding assets credited to the portfolio of the Capital Improvement Fund adequate records of all Self-Liquidity Purchased Notes so purchased.

(h) The subaccount within the Self-Liquidity Note Purchase Fund for a particular series of Notes shall be closed in the event the agreement to provide liquidity as described under this heading ends or is terminated for that series of Notes.

(i) The agreement described under this heading applies only to the Notes designated by the Capital Finance Director and not to any other obligations.

(j) Neither the failure of the State to purchase any unremarketed Notes tendered for purchase, to pay or remit any moneys or perform or observe any covenant, agreement or condition described under this heading nor any failure to remedy the same will constitute an event of default with respect to the payment of principal of, premium, if any and interest due on the Notes.

(k) For purposes of this heading, while the Notes are in the Alternative Trading System Mode, subject to (c), the State's agreement to purchase tendered Notes shall apply to the State's purchase of Contractual Bidder Notes.

(l) The provisions described under this heading shall be evidenced by and the detailed provisions and mechanics thereof shall be set forth in a Standby Agreement to be entered into by and between the State and the Tender Agent for the benefit of the Beneficial Owners of the Notes to which it shall apply, and the Capital Finance Director is authorized to negotiate and execute such Standby Agreement. The Capital Finance Director is further authorized to work with State departments, boards and agencies to establish policies, procedures and practices, including preparing, negotiating and entering into memorandums of understanding and similar documents, for the operation and mechanics of the funding and investment of the Capital Improvement Fund as necessary to comply with and carry out any Liquidity Facility, including a Self-Liquidity Standby Agreement, in connection with the Notes.

TENDER AGENT

Appointment and Responsibilities.

(a) The Tender Agent shall perform the duties and obligations described under this heading, and in the Authorizing Resolution, as applicable, and in particular shall:

(i) hold all Liquidity Enhanced Notes delivered to it for purchase hereunder in trust as bailee of, and for the benefit of, the respective Registered Owners which have so delivered such Liquidity Enhanced Notes, until money representing the purchase price of such Liquidity Enhanced Notes shall have been delivered to or for the account of or to the order of such Registered Owners;

(ii) hold all money (other than money delivered to it by the State for the purchase of Liquidity Enhanced Notes) delivered to it hereunder for the purchase of Liquidity Enhanced Notes in trust as bailee of, and for the benefit of, the person which shall have so delivered such money, until the Liquidity Enhanced Notes purchased with such money shall have been delivered to or for the account of such person;

(iii) hold all Purchased Notes and deliver such Purchased Notes to the order of the Liquidity Provider; take delivery of and redeliver any such Purchased Notes being remarketed pursuant hereto and to the Standby Agreement, but (if such Notes are to be remarketed as Liquidity Enhanced Notes) only upon receipt either of written notice from the Liquidity Provider that its Standby Agreement has been reinstated as to such Notes or of a replacement Standby Agreement; and

(iv) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the State, the Fiduciaries, the Liquidity Provider and the Remarketing Agent at all reasonable times.

(b) The Tender Agent shall cooperate with the Market Agent and Remarketing Agent, as applicable, to the extent necessary to permit the preparation, execution, issuance and authentication of replacement Liquidity Enhanced Notes in connection with the tender and remarketing of Liquidity Enhanced Notes.

(c) The Tender Agent shall not surrender any letter of credit or other evidence of a Liquidity Provider's obligations until such obligations have been fully paid and performed.

Procedures for Tendering Liquidity Enhanced Notes.

(a) The Tender Agent shall promptly return any Tender Notice (together with any Liquidity Enhanced Notes submitted in connection therewith) that is incomplete or improperly completed or not delivered in a timely fashion to the person submitting the notice upon surrender of the receipt, if any, issued therefor.

(b) The Tender Agent's determination of whether a Tender Notice is properly completed or delivered on a timely basis shall be binding on the State and the Registered Owner of the Liquidity Enhanced Notes submitted therewith.

(c) The Tender Agent shall comply fully with the notice and other requirements described in the Program Resolution.

Resignation or Removal; Appointment of Successor.

(a) Any Tender Agent may at any time resign and be discharged of the duties and obligations created hereunder by giving at least 60 days' written notice to the State, each Liquidity Provider, the Market Agent or Remarketing Agent, as applicable, and the other Fiduciaries. Any Tender Agent may be removed at any time by an instrument filed with such Tender Agent and the Paying Agent and signed by an Authorized Officer. The State agrees that upon the resignation of the Tender Agent it will act expeditiously and use its best efforts to appoint a successor Tender Agent, such successor Tender Agent to be a commercial bank with trust powers or a trust company organized

under the laws of the United States or any state thereof, having capital stock and surplus aggregating at least \$50,000,000, meeting any requirements specified in the Standby Agreement, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Schedule; and if no appointment of a successor Tender Agent shall be made within 45 days after written notice of resignation of such office is given to the State, then the Registered Owner of any Note or the Tender Agent may apply to any court of competent jurisdiction, at the expense of the State, to appoint a successor Tender Agent. No resignation or removal of the Tender Agent shall take effect until a successor has been appointed and has accepted the duties of the departing Tender Agent.

(b) In the event of the resignation or removal of any Tender Agent, such Tender Agent shall pay over, assign and deliver any money, the Standby Agreement and Liquidity Enhanced Notes, including authenticated Liquidity Enhanced Notes, held by it to its successor.

(c) The State shall not permit the office of Tender Agent to be vacant when Liquidity Enhanced Notes are Outstanding.

Tender Agent Agreement.

Notwithstanding anything contained in the Program Resolution to the contrary, the Tender Agent's duties, obligations, rights and powers under the Program Resolution shall be subject to, and governed by, the Tender Agent Agreement. To the extent of any inconsistency between the Program Resolution and the Tender Agent Agreement with respect to the Tender Agent's duties, obligations, rights and powers, the Tender Agent Agreement shall govern.

MISCELLANEOUS

Supplemental Resolutions.

For any one or more of the following purposes and at any time or from time to time, the State may enter into a supplement to the Program Resolution or any Authorizing Resolution:

(a) to cure any ambiguity, supply any omission, or correct any defect or inconsistent provision relating to the Notes;

(b) pursuant to the terms described in Appendix E of this Official Statement;

(c) to identify particular Notes for purposes not inconsistent with the Program Resolution or any Authorizing Resolution, including credit or liquidity support, remarketing, serialization and defeasance; or

(d) to insert such provisions with respect to the Notes as are necessary or desirable and are not to the prejudice of the Noteholders.

Each supplement is conditioned upon delivery to the State of a Favorable Opinion of Bond Counsel.

Rights and Duties of the Fiduciaries.

All money and investments received by the Fiduciaries hereunder shall be held in trust, in a segregated trust account in the trust department of such Fiduciary, not commingled with any other funds, and applied solely pursuant to the provisions of the Program Resolution.

(a) The Fiduciaries shall keep proper accounts of their transactions hereunder (separate from its other accounts), which shall be open to inspection on reasonable notice by the State and its representatives duly authorized in writing.

(b) The Fiduciaries shall not be required to monitor the financial condition of the State and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with them hereunder.

(c) Each Fiduciary shall perform such duties and only such duties as are specifically set forth in the Program Resolution, and no implied covenants or obligations should be read into the Program Resolution against a Fiduciary. Each Fiduciary shall be entitled to the advice or opinion of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice or opinion. Each Fiduciary may rely conclusively on any notice, certificate or other document furnished to it hereunder and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed hereunder or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by a Fiduciary is called for hereby, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. Each Fiduciary shall have the right to perform any of its duties hereunder or with respect to Notes through agents, attorneys, custodians or nominees, and shall not be responsible for the misconduct or negligence of such agents, attorneys, custodians and nominees appointed by it with due care.

(d) The Fiduciaries shall in no event be liable for the application or misapplication of funds, or for other acts or failures to act, by any person, firm or corporation except by their respective directors, officers, agents, and employees. No recourse shall be had for any claim based on the Program Resolution or the Notes against any director, officer, agent or employee of any Fiduciary unless such claim is based upon the bad faith, fraud or deceit of such person.

(e) Nothing in the Program Resolution shall obligate any Fiduciary to pay any debt or meet any financial obligations to any person in relation to the Notes except from money received for such purposes hereunder. Each Fiduciary shall not be required to risk, use or advance its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder or with respect to the Notes.

(f) The Fiduciaries may own or trade in the Notes with the same rights as if they were not the Fiduciaries.

(g) Nothing in the Program Resolution shall relieve any Fiduciary of responsibility for its negligence, bad faith or willful misconduct.

(h) Fiduciaries shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the Program Resolution and delivered using Electronic Means; provided, however, that the State shall provide to the Fiduciaries an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Instructions Officers”) and containing specimen signatures of such Authorized Instructions Officers, which incumbency certificate shall be amended by the State whenever a person is to be added or deleted from the listing. If the State elects to give a Fiduciary Instructions using Electronic Means and a Fiduciary in its discretion elects to act upon such Instructions, the Fiduciary’s understanding of such Instructions shall be deemed controlling. The State understands and agrees that a Fiduciary cannot determine the identity of the actual sender of such Instructions and that a Fiduciary shall conclusively presume that directions that purport to have been sent by an Authorized Instructions Officer listed on the incumbency certificate provided to the Fiduciary have been sent by such Authorized Instructions Officer. The State shall be responsible for ensuring that only Authorized Instructions Officers transmit such Instructions to the Fiduciaries and that the State and all Authorized Instructions Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the State. The Fiduciaries shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiduciaries’ reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The State agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiduciaries,

including without limitation the risk of a Fiduciary acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiduciaries and that there may be more secure methods of transmitting Instructions than the method(s) selected by the State; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiduciaries immediately upon learning of any compromise or unauthorized use of the security procedures.

Paying Agents.

The State may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor. Each Paying Agent shall be a bank with trust powers or trust company, eligible under the laws of the State, and shall have a capital and surplus of not less than \$50,000,000, shall meet any requirements specified in the Standby Agreement and shall be registered as a transfer agent with the Securities and Exchange Commission.

Successor Fiduciaries.

Any corporation or association which succeeds to the related corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and duties thereof under the Program Resolution, without any further act or conveyance.

(a) In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of a Fiduciary or of its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary shall with due care terminate its activities hereunder and a successor may, or in the case of the Paying Agent or an active Tender Agent shall, be appointed by the State.

Termination.

(a) If the State pays or causes to be paid to the Registered Owner the principal and any interest due and payable upon any Note, then such Note shall cease to be entitled to any benefit under the Program Resolution. If the State pays or causes to be paid the principal and any interest due and payable on all outstanding Notes, then, and in that case, the Paying Agent shall, but only upon receipt of written direction from the Authorized Officer stating that the Building Commission has, by resolution, directed that the Program Resolution be terminated, assign, transfer, and turn over to the State any balance remaining in any other fund and account created under the Program Resolution, and the pledge of the Program Resolution shall thereupon cease, terminate, and become void.

(b) Any outstanding Note (or any portion thereof) shall be deemed to have been paid for the purposes of subsection (a) when there shall have been deposited (in a separate and distinct account in the Capital Improvement Fund maintained for payment of principal of, and any interest on, the Note) either moneys in an amount which, or (in an account held by an escrow agent) Direct Obligations, the principal of and the interest (if applicable, calculated at the Maximum Rate) on which when due, and without any reinvestment thereof, will provide moneys in an amount, which, together with the moneys, if any, deposited with or held by the Secretary of Administration and available therefor, shall be sufficient to pay when due the principal of and premium, if any, and any interest due and to become due on said Note (or portion thereof) on or prior to the maturity date thereof.

(c) The moneys deposited in the Capital Improvement Fund for such purpose and Direct Obligations deposited in an account held by an escrow agent as described under this heading and all payments of the principal of, and interest on, any such Notes (or portions thereof) shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and any interest on said Notes (or portions thereof) deemed to have been paid as described under this heading.

Notices.

The State shall give prompt Written Notice to each Rating Agency of any amendment, expiration, termination, substitution or extension of any Standby Agreement, any redemption, defeasance, mandatory tender or Conversion of Notes, any change in the Paying Agent, Tender Agent, Market Agent or Remarketing Agent and any material change in the terms of any Standby Agreement, the Notes or the Authorizing Resolution and the Program Resolution.

Parties in Interest.

Except as otherwise specifically provided in the Program Resolution, nothing in the Program Resolution expressed or implied is intended or shall be construed to confer upon any person, firm, or corporation, other than the State, the Marketing Agent, any Remarketing Agent, any Liquidity Provider, and the Registered Owner and Beneficial Owners of Notes issued and outstanding hereunder, any right, remedy, or claim under or by reason of the Program Resolution, the Program Resolution being intended to be for the sole and exclusive benefit of the State, the Marketing Agent, the Remarketing Agent, the Liquidity Provider, and the Registered Owner and Beneficial Owners of Notes issued and outstanding hereunder.

Severability.

In case any one or more of the provisions of the Program Resolution or of the Notes issued hereunder shall for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of the Program Resolution or of such Notes, and the Program Resolution and such Notes shall be construed and enforced as if such illegal or invalid provisions had not been contained in the Program Resolution or therein.

No Personal Liability of State Officials.

No covenant or agreement contained in any Note or in the Program Resolution shall be deemed to be the covenant or agreement of any Authorized Officer or any other official, officer, agent, or employee of the State in his or her individual capacity, and neither any Authorized Officer, any other officers or employees of the State, nor any official executing any Note shall be liable personally on the Note or be subject to any personal liability or accountability by reason of the issuance thereof.

Holidays.

If the last date for performance of any act or the exercising of any right, as provided in the Program Resolution, shall not be a Business Day, such act may be performed or right may be exercised on the next succeeding Business Day (except in the case of a Rate Determination Date, in which case it shall be the immediately preceding Business Day) with the same force and effect as if done on the nominal date provided in the Program Resolution.

Approval of Related Documents.

The Capital Finance Director, acting on behalf of the Commission, is hereby authorized to execute and deliver the initial and any substitute Market Agreement, the initial and any substitute Standby Agreement, the initial and any substitute agreement with a Tender Agent, and the initial and any substitute or additional Remarketing Agreement that are approved in the manner provided in the Program Resolution in such form (including provision of any fees) as the Capital Finance Director may approve, such approval to be conclusively evidenced by his execution and delivery of such instrument.

Resolution to Constitute a Contract.

In consideration of the purchase and acceptance of any and all of the Notes authorized to be issued hereunder by those who shall be Beneficial Owners of the same from time to time, the Program Resolution shall be deemed to be and shall constitute a contract between the State and each of the Beneficial Owners from time to time of the Notes, and such provisions are covenants and agreements with such Beneficial Owners which the State hereby determines to

be necessary and desirable for the security and payment thereof. The covenants and agreements set forth in the Program Resolution to be performed by or on behalf of the State shall be for the equal benefit, protection and security of the Beneficial Owners of any and all of the Notes, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any of the Notes over any other except as expressly provided in or permitted by the Program Resolution.

Conflicting Provisions.

In the event that any terms or provisions of any of the other documents relating to the Notes (including the Authorizing Resolution) conflict with the provisions of the Program Resolution, the terms and provisions of the Program Resolution shall control.

APPENDIX D
EXPECTED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, it is expected that Quarles & Brady LLP will deliver a legal opinion in substantially the following form:

(Letterhead of Quarles & Brady LLP)

State of Wisconsin Building Commission
101 East Wilson Street, 7th Floor
Madison, Wisconsin 53703

Subject: **\$53,800,000**
STATE OF WISCONSIN
GENERAL OBLIGATION VARIABLE RATE DEMAND OBLIGATION NOTES OF 2019,
SERIES A

We have acted as bond counsel to the State in connection with the issuance by the State of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion, including a certified copy of the transcript of proceedings of record of the State of Wisconsin Building Commission (the "Commission") preliminary to and in connection with the issuance of the Notes.

The Notes have been authorized and issued pursuant to Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes as now in force; and the resolution of the Commission adopted on August 8, 2018, entitled "Program Resolution for State of Wisconsin General Obligation Variable Rate Demand Obligations" (the "Program Resolution"), as supplemented by the resolution adopted by the Commission on August 8, 2018, entitled "Authorizing Resolution for Not to Exceed \$352,920,000 State of Wisconsin General Obligations" (the "Authorizing Resolution") (hereafter, the Program Resolution and Authorizing Resolution shall be referred to collectively as the "Resolutions").

As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. Based upon our examination, it is our opinion that, under existing law:

1. The Notes have been duly and validly authorized and constitute valid and binding general obligations of the State.
2. Each of the Resolutions has been duly and lawfully adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State in accordance with its respective terms.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, and interest on, the Notes as they mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
4. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the

date of issuance of the Notes. The State has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the State comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability of the Notes and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights and may be also subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

APPENDIX E

ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES

Section 1. Certain Definitions.

All capitalized terms used, but not defined, in this APPENDIX E have the respective meanings assigned them in **APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION** except that the following capitalized terms have the meanings specified below:

"All Sell Rate" means:

(i) for Notes for which the State is serving as the Liquidity Provider pursuant to a Self-Liquidity Standby Agreement, the rate for the Clearing Market Rate Period immediately preceding the Bid Process Date or such other rate as may be specified in the related Self-Liquidity Standby Agreement; and

(ii) for Notes which a third-party Liquidity Provider (other than the State) is serving as Liquidity Provider pursuant to a Standby Agreement, the rate specified in the related Standby Agreement.

"Alternative Trading System" means the bidding system known and operated as the Clarity BidRate Alternative Trading System™ and referred to herein as "C-BRATS".

"Authorized Users" means Persons authorized to act on behalf of Subscribers.

"Bid Process Date" means each Rate Determination Date.

"Bid To Buy Order" has the meaning set forth in Section 2.1(i)(A) of this Appendix E.

"Bid To Roll Order" has the meaning set forth in Section 2.1(i)(A) of this Appendix E.

"Bidder" has the meaning set forth in Section 2.1(i)(B) of this Appendix E.

"Bidding Procedures" means the processes described in this Appendix E.

"Clearing Market Rate" has the meaning set forth in Sections 2.3(i) and 3 of this Appendix E.

"Compromised Bid Process" means that the Market Agent determines in its absolute and sole discretion that the Clearing Market Rate determined pursuant to the Alternative Trading System is deemed to have been determined incorrectly, whether as a result of a clerical error, unauthorized Orders, or other reason.

"Contractual Bidder Notes" means Notes which have been purchased by the Contractual Bidder because either (i) no Bid To Buy or Bid To Roll Orders were submitted on the Bid Process Date or (ii) the principal amount of Notes subject to Bid To Buy or Bid To Roll Orders was less than the principal amount of Notes subject to Sell Orders. Such Contractual Bidder Notes shall constitute Purchased Notes and shall be purchased by the Tender Agent on behalf of the Liquidity Provider pursuant to Section 5 of this Appendix E.

"Duration" means the number of days in a Clearing Market Rate Period.

"Duration Conversion" means a change in the Duration of the Clearing Market Rate Period for a series of Notes in accordance with the terms and provisions of Section 4 of this Appendix E. Except as set forth in Section 4 of this Appendix E, a Duration Conversion shall not constitute a Conversion.

"Duration Conversion Date" means the effective date of a Duration Conversion of Notes.

"Existing Holder" means a Subscriber who is the Beneficial Owner of Notes.

"Good Until Cancelled or GTC" means a Bid to Buy or Bid to Roll Order which is submitted and is to remain in effect until executed or cancelled at the discretion of the Subscriber.

"Highest Market Bid Rate" means the highest interest rate based on the interest rates of Bid to Buy Orders, Bid to Roll Orders and Hold-Auto Orders.

"Hold-Auto Order" means an Order on behalf of an Existing Holder who has not submitted Orders on a Bid Process Date for the entire principal amount of Notes held by such Existing Holder. Hold-Auto Orders will be submitted with a rate equal to the bid rate for the last executed Order, on an order to order basis, whether a Bid to Roll Order, Bid to Buy Order, a Hold-Auto Order or a purchase in the secondary market.

"Market Disruption Event" means that the Market Agent determines in its absolute and sole discretion that the Alternative Trading System is unable to accept Orders or otherwise function as expected, whether due to *force majeure* or otherwise, and a Clearing Market Rate is not determined on the Bid Process Date.

"Order" means a Bid To Buy Order, a Bid To Roll Order, Hold-Auto Order or a Sell Order, as applicable.

"Percentage Rate" means the percentage of a Qualified Benchmark as set forth in a Bid To Buy or a Bid To Roll Order.

"Qualified Benchmark" means any interest rate index which as of a Bid Process Date is compatible with the Alternative Trading System.

"Rate Determination Date" means the Business Day, initially specified by the State, on which Orders are submitted and processed, and a new Clearing Market Rate is established. If any Rate Determination Date, is not a Business Day, the Rate Determination Date will be the immediately preceding Business Day.

"Rate Effective Date" means the Business Day immediately following the Rate Determination Date.

"Rate Publication Time" shall mean the earlier of (i) 30 minutes after the Submission Deadline and (ii) the time when the Market Agent begins to disseminate the results of the Bid Process to Subscribers.

"Sell Order" has the meaning set forth in Section 2.1(i)(A).

"Spread Rate" means the number of basis points above or below a Qualified Benchmark as set forth in a Bid To Buy or a Bid To Roll Order.

"Subscriber" means any Person, including any Existing Holder, who has executed a Subscription Agreement permitting such Person to submit an Order on the Alternative Trading System.

"Submission Deadline" means 12:30 p.m., New York City time, on any Bid Process Date or such other time on any Bid Process Date by which Existing Holders and Subscribers who are not Existing Holders are required to submit Orders, as the case may be, pursuant to the Alternative Trading System.

"Underwriter" means the persons identified as such in the note purchase agreement relating to a series of Notes and which is purchasing such Notes upon initial issuance.

Section 2: Bidding Procedures

Section 2.1. Orders.

While the Notes are in the Alternative Trading System Mode, Orders for Notes may be submitted through the Alternative Trading System. In order to submit an Order on the Alternative Trading System, a Person must be a Subscriber and each Order must be submitted by an Authorized User.

(i) Prior to the Submission Deadline on each Bid Process Date:

(A) Each Subscriber may submit through the Alternative Trading System information as to:

(I) the principal amount of Notes, if any, held by such Subscriber which such Subscriber desires to continue to hold together with the interest rate which may be expressed as a rate per annum, a Spread Rate or a Percentage Rate ("Bid to Roll Order");

(II) the principal amount of Notes, if any, held by such Subscriber which such Subscriber offers to sell ("Sell Order");

(III) the principal amount of Notes, if any, which such Subscriber wishes to buy together with the interest rate which may be expressed as a rate per annum, a Spread Rate or a Percentage Rate ("Bid to Buy Order").

(B) For the purposes hereof, a submission on the Alternative Trading System to buy, hold or sell Notes is hereinafter referred to as an "Order" and each Subscriber placing an Order is hereinafter referred to as a "Bidder". The State shall be entitled to submit Orders and is entitled to be a Bidder.

(ii) (A) A Sell Order by a Subscriber shall constitute an offer to sell the principal amount of outstanding Notes specified in such Sell Order.

(B) A Bid To Buy Order by a Subscriber shall constitute an offer to purchase the principal amount of Notes specified in such Bid To Buy Order if the Clearing Market Rate determined on such Bid Process Date shall be equal to or higher than the rate per annum specified in such Bid To Buy Order not to exceed the Maximum Rate.

(iii) Bids may contain up to three figures to the right of the decimal point.

(iv) If an Existing Holder does not submit a Bid to Roll or Sell Order or Orders through the Alternative Trading System prior to the Submission Deadline for an aggregate principal amount of Notes equal to the principal amount of Notes held by such Existing Holder as of a Submission Deadline, then such Existing Holder shall be deemed to have also submitted a Hold-Auto Order for a principal amount of Notes equal to the difference between the principal amount of Notes then held by such Existing Holder and the aggregate principal amount of Notes for which an Order or Orders have been submitted by such Existing Holder.

(v) Sell Orders, Bid to Roll and Hold-Auto Orders submitted to the Alternative Trading System on behalf of an Existing Holder will not be accepted for a principal amount of Notes greater than the principal amount of Notes held by such Existing Holder as of a Submission Deadline.

(vi) If more than one Bid To Buy Order is submitted on behalf of a Subscriber, each Bid To Buy Order submitted with the same rate shall be aggregated into a single Bid To Buy Order for such Subscriber. If more than one Bid To Buy Order is submitted on behalf of a Subscriber but such Orders are submitted for separate sub-accounts, then each such Bid To Buy Order shall be a separate Bid To Buy Order with the rate per annum and principal amount of Notes specified.

(vii) No Orders will be accepted for a Bid Process Date after the Submission Deadline.

(viii) Bid to Buy Orders for a principal amount of Notes in excess of the principal amount of Notes shown on Alternative Trading System on the Bid Process Date will not be accepted.

(ix) Any Order submitted through the Alternative Trading System prior to the Submission Deadline shall become irrevocable upon the occurrence of the Submission Deadline.

(x) Orders submitted as either a Percentage Rate or a Spread Rate will be converted to a numeric bid on the Bid Process Date based on the most recent publicly available value of the Qualified Benchmark, except in the case of Hold-Auto Orders, referenced in the Order and the percentage or spread specified in the Order.

(xi) If a Hold-Auto Order is submitted on behalf of an Existing Holder and the Existing Holder's most recent Bid To Buy Order was expressed as a Percentage Rate or a Spread Rate, then the rate set forth in the Hold-Auto Order will be numeric bid set forth in the Existing Holder's most recent Bid To Buy Order and be based on the value of the Qualified Benchmark determined at the time such Bid To Buy Order was submitted.

Section 2.2. Reserved.

Section 2.3. Determination of Clearing Market Rate, Clearing Market Rate Period.

(i) The Clearing Market Rate shall be established in a bid process which is held on the Alternative Trading System. The Clearing Market Rate will be the lowest interest rate at which the entire principal amount of Notes shown on the C-BRATS system would be sold. All Beneficial Owners will receive the Clearing Market Rate. The Clearing Market Rate shall not exceed the Maximum Rate.

(ii) The Clearing Market Rate Period may be selected by the Authorized Officer by giving notice to the Market Agent before 4:00 p.m. New York City time on any Business Day at least ten (10) Business Days preceding a Bid Process Date. The selection of a new Clearing Market Rate Period that is different from the immediately prior Clearing Market Rate Period shall not constitute a Conversion, except as provided in Section 4 with respect to a change in Duration to one of more than 28 days. The Clearing Market Rate Period shall remain in effect and continue for successive periods of the same 7-day increments until the Authorized Officer selects a different Clearing Market Rate Period as aforesaid.

Section 2.4. Acceptance and Rejection of Bid To Buy Orders, Bid To Roll Order, Hold-Auto Orders and Sell Orders and Allocation of Notes.

Bid To Buy Orders, Bid To Roll Orders, Hold-Auto and Sell Orders shall be accepted or rejected as follows:

(i) If the principal amount of Notes that are the subject of Bid To Buy, Bid To Roll and Hold-Auto Orders equals or exceeds the principal amount of Notes shown on the Alternative Trading System on a Bid Process Date, subject to the provisions of Section 2.4(iii) and (iv) of this Appendix E, Bid to Roll Orders, Bid to Buy Orders and Hold Auto Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(A) the Bid to Roll Orders and Hold Auto Orders of Existing Holders specifying any rate per annum that is equal to or lower than the Clearing Market Rate shall be accepted, thus requiring each such Existing Holder to hold the Notes that are the subject of such Bid to Roll Order or Hold Auto Order; and

(B) the Bid To Buy Orders specifying any rate per annum that is equal to or lower than the Clearing Market Rate shall be accepted, thus requiring such Subscriber to purchase Notes that are the subject of such Bid To Buy Order.

(ii) If the principal amount of Notes that are the subject of Bid To Buy, Bid To Roll and Hold-Auto Orders is less than the principal amount of Notes shown on the Alternative Trading System on a Bid Process Date, subject to the provisions of Section 2.4(iii), Orders shall be accepted or rejected as follows in the following order of priority:

(A) each Bid To Roll Order of each Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Notes that are the subject of such Bid To Roll Order;

(B) each Hold-Auto Order of each Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Existing Holder to hold the outstanding Notes that are the subject of such Hold-Auto Order;

(C) each Bid To Buy Order of each Subscriber which is not an Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Subscriber to purchase the outstanding Notes that are the subject of such Bid To Buy Order; and

(D) each Sell Order which has not been filled from Orders described in clauses (A), (B) and (C) above in this Section 2.4(ii) shall be accepted by the Contractual Bidder.

(iii) Contractual Bidder Notes will be subject to Sell Orders on each Bid Process Date, with Notes which have been Contractual Bidder Notes for the longest period of time being sold before Notes which have been Contractual Bidder Notes for a shorter period of time.

(iv) An order that sets the Clearing Market Rate may be subject to a partial allocation. If there are multiple Orders at the Clearing Market Rate each Order may be subjected to a pro-rata allocation.

Section 2.5. Good Until Cancelled Orders.

A Bid To Buy Order submitted on a Good Until Cancelled, or GTC, basis will remain in effect until the Order is executed in full or cancelled by the Subscriber. A Bid To Roll Order submitted on a Good Until Cancelled, or GTC, basis will remain in effect until the Order is cancelled by the Subscriber.

Section 2.6. Bid from Contractual Bidder.

Under the terms of the Standby Agreement, the Liquidity Provider, acting as a Contractual Bidder, has contractually agreed that on each Bid Process Date, other than in the event of a Liquidity Condition, it is deemed to have submitted a Bid To Buy Order for all Notes at the Highest Market Bid Rate, or if there is no Highest Market Bid Rate, at the All Sell Rate. The Liquidity Provider's Bid To Buy Order on each Bid Process Date is an unconditional bid, other than in the event of a Liquidity Condition. The Standby Agreement for any Clearing Market Rate Note shall provide for the purchase of any Contractual Bidder Note that occurs as a result of the Bidding Procedures. A Sell Order will be submitted on the Alternative Trading System on each Bid Process Date for all Notes which are Contractual Bidder Notes, unless the Market Agent is directed otherwise by the Contractual Bidder.

Section 2.7. Market Disruption Event; Suspension of Trading; Modification of Orders; Compromised Bid Process; Bid Process Re-Opening; Erroneous Trades.

The Market Agent may, in its absolute and sole discretion, halt or suspend the submission or processing of Orders on C-BRATS, halt or suspend activity in any bonds or other securities on C-BRATS or make modifications to C-BRATS. The Market Agent shall provide reasonably prompt notice of any such action, but notice may be provided after the taking of any such action. In addition to and not in lieu of the foregoing, the Market Agent may modify the terms of or cancel an Order or a transaction executed through C-BRATS if the Market Agent determines, in its absolute and sole discretion, that such transaction was erroneous for any reason, including, without limitation, due to an erroneous entry of an Order or through the erroneous execution of a transaction by C-BRATS, and the Market Agent shall provide Subscriber reasonably prompt notice of each such modification or cancellation. Neither the State nor the Market Agent shall have any liability to a Subscriber as a result of the Market Agent's decision to exercise its rights (or its failure to exercise its rights) under this Section 2.7.

SUBSCRIBER SHALL BE DEEMED TO HAVE AGREED THAT, WITHOUT LIABILITY TO ANY PERSON, THE MARKET AGENT RETAINS THE RIGHT TO: (1) REJECT ANY ORDER IN ITS ABSOLUTE AND SOLE DISCRETION AND (2) CANCEL ANY ORDER OR BREAK ANY TRANSACTION IN ACCORDANCE WITH THE TERMS OF THIS

EXHIBIT OR IF SUCH ORDER OR TRANSACTION, IN THE MARKET AGENT'S ABSOLUTE AND SOLE DISCRETION, VIOLATES APPLICABLE LAW.

The Market Agent may consult with counsel of its choice regarding action to be taken by the Market Agent hereunder or under any documentation relating to C-BRATS, and the advice of such counsel shall be deemed full and complete authorization by a Subscriber in respect to any action so taken, suffered or omitted by the Market Agent or the State hereunder in reliance thereon.

In addition, each Subscriber acknowledges and agrees that the bid process and rate reset mechanism effected on any given day may be re-run in the event of a Compromised Bid Process, which may result in a rate being set as the Clearing Market Rate that is different than the bid process results and different than the rate which may otherwise have been the Clearing Market Rate. Each Subscriber further acknowledges and agrees that in the event of a Compromised Bid Process, the Market Agent will endeavor to notify all Subscribers of a Bid Process Re-Opening. For purposes hereof, a "Bid Process Re-Opening" shall result in the re-bidding of the Notes within approximately sixty (60) minutes from the time the Market Agent determines that a Compromised Bid Process occurred. Upon the occurrence of a re-bidding of the Notes, Subscribers may place new, or modify existing, Orders on such Notes. In such instances, the term "Submission Deadline" as used herein shall be deemed a reference to the new Submission Deadline established by the Market Agent in connection with the re-bidding process for purposes of this Appendix E.

If a Market Disruption Event occurs in connection with a Bid Process Date, the Clearing Market Rate set on the previous Rate Determination Date will apply for the next Clearing Market Rate Period. All securities that were to reset and were to have a Clearing Market Rate Period of longer than seven (7) days, will be automatically converted without action by the State to a Clearing Market Rate Period with a Duration of seven (7) days, so that the next Bid Process Date will occur seven (7) days after the Bid Process Date on which the Clarity Market Disruption Event occurred.

Section 2.8. Settlement.

Settlement for Notes purchased through the Alternative Trading System will be made on the Business Day immediately following the Bid Process Date. Promptly following the Rate Publication Time on a Rate Determination Date, the Market Agent shall notify the Contractual Bidder of the amount of Contractual Bidders Notes to be purchased by the Contractual Bidder on the following Rate Effective Date. Not later than 10:30 a.m., New York City time on a Rate Effective Date, the Market Agent shall notify the Contractual Bidder of the amount of Contractual Bidders Notes to be purchased by the Contractual Bidder and which were not remarketed as of such time. The Contractual Bidder, subject to the provisions of the applicable Standby Agreement, shall provide funds to settle its purchase of the Contractual Bidder Notes by 2:00 p.m., New York City time, on such Rate Effective Date.

Section 3: Interest Rate Provisions

Determination of Clearing Market Rates. Notes shall bear interest during each Clearing Market Rate Period at the Clearing Market Rate determined by the Alternative Trading System. The Clearing Market Rate will be determined immediately following the Submission Deadline during such Clearing Market Rate Period. Certain provisions relating to the Alternative Trading System are set forth in Section 2 to this Appendix E, and for the avoidance of doubt, the State may submit Bids for Notes on the Alternative Trading System. The interest rate for the first Clearing Market Rate Period shall be determined by the Underwriter on or prior to the first day of such Clearing Market Rate Period and shall apply to the period commencing on the first day of such Clearing Market Rate Period and shall continue to, but shall not include, the immediately following Rate Effective Date. Thereafter, each Clearing

Market Rate shall apply to the period commencing on each Rate Effective Date and continuing to, but excluding, the immediately following Rate Effective Date.

In the event an Existing Holder fails to submit Bid to Roll or Sell Orders on a Bid Process Date for the entire principal amount of Notes held by such Existing Holder, the Existing Holder shall have a Hold-Auto Order submitted on its behalf for a principal amount of Notes for which Orders by such Existing Holder have not been submitted, and the Hold-Auto Order will contain a rate equal to the rate set forth in the most recent Bid To Buy Order or Bid to Roll Order submitted by such Existing Holder, regardless of the principal amount of Notes set forth in such Bid To Buy Order or Bid to Roll Order, which resulted in an award of Notes to such Existing Holder. The Alternative Trading System anticipates sending Existing Holders one or more notices that such Existing Holder has not submitted Orders on a Bid Process Date for the entire principal amount of Notes held by such Existing Holder, and that a Hold-Auto Order will be submitted unless the Existing Holder submits Orders for the entire principal amount of Notes held by such Existing Holder prior to the Submission Deadline. The Alternative Trading System and the State make no assurance that any such notice will be sent to Existing Holders, and will not be held liable in the event any such notice is or is not sent.

In the event that on any Bid Process Date, no Bid To Roll, Hold-Auto or Bid To Buy Orders (other than any Bid To Buy Order deemed submitted by the Contractual Bidder) are submitted, then the Contractual Bidder is obligated to purchase all Notes, and the Clearing Market Rate shall be the All Sell Rate. In the event that on any Bid Process Date Subscribers (other than the Contractual Bidder) submit Bid To Buy Orders, Bid to Roll Orders or Hold-Auto Orders which, in the aggregate, are for a principal amount of Notes less than the principal amount of Notes shown on the Alternative Trading System, then the Contractual Bidder is obligated to purchase a principal amount of Notes equal to the difference between (i) the principal amount of Notes shown on the Alternative Trading System and (ii) the aggregate principal amount of Notes subject to Bid To Buy Orders from Subscribers (other than the Contractual Bidder), and the Clearing Market Rate shall be the Highest Market Bid Rate.

If the Clearing Market Rate determined by the Alternative Trading System shall be held to be invalid or unenforceable by a court of law or if a Market Disruption Event occurs in connection with a Bid Process Date, then the interest rate for such Clearing Market Rate Period shall be equal to the Clearing Market Rate for the immediately preceding Clearing Market Rate Period.

Interest Rate in the Event of Inadequate Funds for Purchase: If sufficient funds are not available for the purchase of all Notes tendered or deemed tendered or otherwise required to be purchased by the Contractual Bidder on any Purchase Date, all of the Notes shall bear interest at the Maximum Rate, from the date of such failed purchase until all Notes are purchased as required in accordance with the Program Resolution.

Section 4. Conversion to Different Duration of the Clearing Market Rate Period

In the event that the State shall elect to change the Duration of the Clearing Market Rate Period on a series of Notes, the State or the Paying Agent shall give notice by first-class or electronic mail of the proposed Duration Conversion to the Registered Owners (or, if the Registered Owner is a Securities Depository, in such manner as is required by the Securities Depository) of the Notes not less than ten (10) Business Days prior to the Duration Conversion Date. Such notice shall state: (i) that the Duration of the Clearing Market Rate Period on the Notes will be converted to the number of days specified in such notice on the Duration Conversion Date; (ii) the proposed effective date of the new Clearing Market Rate Period; (iii) if the Duration of the new Clearing Market Rate Period will exceed twenty-eight (28) days, that the Notes are subject to mandatory tender for purchase on such proposed Duration Conversion Date as set forth in Section 5.3 hereof and setting forth the applicable Purchase Price and the place of delivery

for purchase of such Notes; (iv) if the Duration of the new Clearing Market Rate Period will exceed twenty-eight (28) days, that the Liquidity Provider consents to the Duration Conversion; and (v) that the Duration Conversion is contingent upon Bond Counsel rendering a Favorable Opinion of Bond Counsel to the State, the Paying Agent, and the Market Agent as to such Duration Conversion on the Duration Conversion Date. A Duration Conversion to a Clearing Market Rate Period that does not exceed twenty-eight (28) days shall not constitute a Conversion within the meaning of the Program Resolution.

Notwithstanding anything in the Program Resolution, in connection with any proposed Duration Conversion of Notes, the State shall have the right to deliver to the Paying Agent, the Market Agent and the applicable Liquidity Provider, on or prior to 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such Duration Conversion, a notice to the effect that the State elects to rescind its election to implement any such Duration Conversion. If the State rescinds its election to implement any such Duration Conversion, then the Duration of the Clearing Market Rate Period shall not be changed from the Duration in effect immediately prior to such proposed Duration Conversion. If notice of any such Duration Conversion to a new Clearing Market Rate Period exceeding twenty-eight (28) days has been mailed to the Registered Owners of the Notes to be converted, and subsequent thereto the State rescinds its election to implement such Duration Conversion, then the Notes to have been converted shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Duration Conversion.

No Duration Conversion to a new Clearing Market Rate Period exceeding twenty-eight days shall take effect, in the case of any Duration Conversion with respect to which there shall be no Standby Agreement in effect to provide funds for the purchase of Notes on the Duration Conversion Date, unless any remarketing proceeds available on the Duration Conversion Date shall be sufficient to pay the Purchase Price of the Notes (unless the State, in its sole discretion, elects to transfer to the Paying Agent the amount of such insufficiency on or before the Duration Conversion Date).

If any condition to the Duration Conversion shall not have been satisfied, then the Duration Conversion shall not occur and the Duration of the Clearing Market Rate Period for the Notes of the applicable series shall not be changed from the Duration in effect immediately prior to such proposed Duration Conversion, but if the new Clearing Market Rate Period was to have exceeded twenty-eight (28) days the Notes shall continue to be subject to mandatory tender for purchase on the date that would have been the effective date of the Duration Conversion.

Section 5. Tender and Purchase of Clearing Market Rate Notes

Section 5.1 Bids and Purchases by Contractual Bidder.

Under the terms of the Standby Agreement, the Liquidity Provider, acting as a Contractual Bidder, has contractually agreed, and to the extent that the Liquidity Provider is the State pursuant to Section 7.06 of the Program Resolution, the State hereby contractually agrees, that on each Bid Process Date, other than in the event of a Liquidity Condition, it is deemed to have submitted a Bid To Buy Order for all Notes at the Highest Market Bid Rate, or if there is no Highest Market Bid Rate, at the All Sell Rate. The Liquidity Provider's Bid To Buy Order on each Bid Process Date is an unconditional bid. The Standby Agreement for any Clearing Market Rate Note shall provide for the purchase of any Contractual Bidder Note that occurs as a result of the Bidding Procedures. A Sell Order will be submitted on the Alternative Trading System on each Bid Process Date for all Notes which are Contractual Bidder Notes, unless the Market Agent is directed otherwise by the Contractual Bidder.

Section 5.2 Optional Tenders.

During any Clearing Market Rate Period, any Clearing Market Rate Note shall be purchased (in whole or in part in minimum Authorized Denominations) from its Existing Holder at the option of the Existing Holder on a Rate Effective Date, as provided herein, at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Payment Date immediately preceding the date of purchase to, but excluding, the date of purchase, unless the date of purchase shall be an Interest Payment Date in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds. In order to exercise its tender, an Existing Holder must submit a notice of tender through the Alternative Trading System. A notice of tender may be submitted through the Alternative Trading System at or prior to 4:00 p.m., New York City time, on any day other than a Rate Determination Date, and will be treated as being submitted on such day. A notice of tender may be submitted through the Alternative Trading System on a Rate Determination Date after the Rate Publication Time and at or prior to 4:00 p.m., New York City time, and will be treated as being submitted on the Rate Effective Date and such Note shall be purchased on the next succeeding Rate Effective Date. A notice submitted to the Tender Agent and Market Agent on a Rate Determination Date on or prior to the Rate Publication Time will be disregarded and void. Tendered Notes shall be treated as being subject to an automatic Sell Order on the next Bid Process Date following the deemed submission of the notice of tender. Tenders submitted through the Alternative Trading System will settle on the Rate Effective Date immediately following the day the tender is deemed submitted.

If the Alternative Trading System is inoperable or if the Existing Holder is unable for any reason to effect a notice of tender directly on the Alternative Trading System, notice of tender must be made by delivery of an irrevocable written notice, which states the principal amount to be purchased, to the Tender Agent and the Market Agent at their respective principal office for delivery of notices. If such a notice is submitted to the Tender Agent and Market Agent at or prior to 4:00 p.m., New York City time on any Business Day other than a Rate Determination Date, then the Note shall be purchased on the immediately succeeding Rate Effective Date. If a notice is submitted to the Tender Agent and Market Agent on a Rate Determination Date at or prior to 4:00 p.m., New York City time, the Tender shall be deemed to have been received on the Rate Effective Date and the Note shall be purchased on the second succeeding Rate Effective Date.

Unless the Notes are registered through DTC, upon payment of the Purchase Price on the date specified in such notice, such Note must be delivered, at or prior to 1:00 p.m., New York City time, on the date specified in such notice, to the Tender Agent at its principal office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Registered Owner thereof or by the Registered Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Section 5.3 Mandatory Tenders.

(i) If a series of Notes is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, or pursuant to clause (vi), Clearing Market Rate Notes of a series are subject to mandatory tender and purchase at the Purchase Price on the following dates:

- (1) on each Conversion Date; provided, however, that a Duration Conversion to a Clearing Market Rate Period not exceeding twenty-eight days shall not be a Conversion;
- (2) on each Duration Conversion Date to a Duration exceeding twenty-eight (28) days;

(3) on a Business Day specified by the Tender Agent, at the direction of the State, which shall be not less than one Business Day prior to the substitution of a Standby Agreement (including assignments) or the Expiration Date of any Standby Agreement (which Standby Agreement will be drawn upon to pay the Purchase Price of unremarketed Tendered Notes), unless a substitution is occurring and Rating Confirmation has been received from each Rating Agency;

(4) on a Business Day specified by the Tender Agent, at the direction of the State but in any event not less than one Business Day prior to the Termination Date of a Standby Agreement relating to a series of Notes specified in the Default Notice delivered in accordance with the Standby Agreement;

(5) if a Credit Facility is in effect for a series of Notes, upon any failure by the State to provide funds to the Paying Agent for the payment of principal or interest by 11:00 a.m. on the maturity or mandatory redemption date or Interest Payment Date for such Notes, in which event the Paying Agent shall notify the Tender Agent by 11:15 a.m. and the Tender Agent, shall cause (A) a draw to be made upon each Liquidity Provider pursuant to each Credit Facility prior to 11:30 a.m. for the immediate purchase of the Notes of such series and (B) notice of mandatory tender to be given to each Registered Owner of such Notes, substantially in the form attached as Appendix C to the Program Resolution, effective on the same day or (without prejudice to the obligatory character of clause (A) above), if funds are not available therefor until the next Business Day pursuant to the Credit Facility because of late delivery of the draw notice, then on such next Business Day; and

(6) on any Optional Redemption Date, at the State's option, upon 10 days' Written Notice to Registered Owners, subject to the State's providing a source of payment therefor in accordance with the Authorizing Resolution. If notice of mandatory tender has been given under this clause (vi) and funds prove insufficient, Section 3.03(c)(ii) of the Program Resolution shall apply, as if a Conversion or a Duration Conversion to a Duration exceeding twenty-eight (28) days had been proposed.

Effective upon any Mandatory Tender Date, the State may elect that (x) one or more of the sinking fund installments of any Tendered Note that is a term bond may be serialized, or (y) two or more serial bonds may be aggregated to a term bond maturing on the latest date on which any such serial bond matures, with the date on which each such serial bond matured to be a date on which a sinking fund installment shall be due and payable in the amount of the serial bond. The principal amount of each serial bond shall be in an Authorized Denomination. The State shall obtain a Favorable Opinion of Bond Counsel by the effective date of either such election.

(ii) Notices of Mandatory Tenders. Whenever Notes are to be tendered for purchase upon Conversion or Duration Conversion, the Tender Agent shall give the notices required by Section 3.03(c)(iii) of the Program Resolution or Section 4 of this Appendix E. Whenever Notes are to be tendered for purchase in accordance with Section 5.3(iii) or (iv) of this Appendix E, the Tender Agent shall, not less than five calendar days prior to the Expiration Date or Termination Date, give notice (substantially in the form attached as Appendix C to the Program Resolution) by first-class mail to the Registered Owners of the affected Notes that such Notes are subject to mandatory tender in accordance with this Section 5.3.

Section 5.4 Additional Provisions Relating to Tendered Notes.

All Clearing Market Rate Notes tendered or to be otherwise purchased in accordance with this Section 5 shall be further subject to the provisions of Section 4.01 (f), (g), (h) and (i), Section 4.03 and Section 4.04 of the Program Resolution.

Section 6. Inadequate Funds for Purchase; Loss of Liquidity

If the funds available for purchase of Liquidity Enhanced Notes that are Clearing Market Rate Notes are inadequate for the purchase of all such Notes tendered on any Tender Date or otherwise required to be purchased by the Contractual Bidder on any Purchase Date, or a Liquidity Condition shall exist under a Liquidity Facility, then the Registered Owners shall not have the right to require the State or other persons to repurchase the Notes and the Tender Agent shall give written notice to all Noteholders of such series, substantially in the form of Appendix A to the Program Resolution. Under a Credit Facility or as long as no Liquidity Condition exists, the obligation to deposit funds in sufficient amounts to purchase such Notes pursuant to the applicable Standby Agreement shall remain enforceable pursuant to the terms thereof and hereof, and shall only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient, together with the proceeds of any remarketing, to purchase all such Notes that were required to be purchased on such Tender Date or Purchase Date, together with any interest which has accrued to the Tender Date or Purchase Date as applicable.

APPENDIX F FORM OF SUBSCRIBER AGREEMENT

Clarity BidRate Alternative Trading SystemSM Subscriber Agreement

This Clarity BidRate Alternative Trading SystemSM Subscriber Agreement (“**Agreement**”) is made as of _____, 201__ (“**Effective Date**”), by and between Arbor Research & Trading, LLC, a Delaware limited liability company (“**Market Agent**”), and [_____], a [**state of organization and type of entity**] (“**Subscriber**”) (each, a “**Party**”; together, the “**Parties**”), and governs, among other things, the transmission of bids, orders and instructions to purchase or sell Eligible Securities (as defined below) by Subscriber (each, an “**Order**” and collectively, “**Orders**”) for execution on or through Market Agent’s alternative trading system, the Clarity BidRate Alternative Trading SystemSM (“**C-BRATSSM**”).

1. DESCRIPTION OF SERVICES

1.1 C-BRATSSM is a web-based, real-time, universal trading platform for trading biddable variable rate debt securities and other types of fixed income debt securities that Clarity may make available on C-BRATSSM (each, an “**Eligible Security**” and collectively, “**Eligible Securities**”). Subject to the terms and conditions of this Agreement, Market Agent shall provide Authorized Users (defined below) electronic access to C-BRATSSM (such access to C-BRATSSM, together with other services provided by Market Agent and specified herein, collectively, the “**Services**”), for (i) entering, posting and/or transmitting, cancelling or modifying bids and offers, and executing Orders through C-BRATSSM for Eligible Securities; (ii) searching for offerings (iii) viewing rate histories/access to market data (iv) analytical tools and (v) any additional functionality that Market Agent may make available on C-BRATSSM. The Services will be provided through Market Agent, either directly or under license from other Affiliates or third parties (“**Service Providers**”), and may also include (i) the distribution to Subscriber of market data; (ii) trade-related information, services and/or software; and (iii) analytical tools.

1.2 Subscriber acknowledges and agrees that no Eligible Securities acquired by Subscriber executing a transaction on C-BRATSSM will be sold other than by placing and executing an Order to sell such Eligible Securities on C-BRATSSM. Subscriber shall promptly notify Market Agent of any transfer of such Eligible Securities from Subscriber’s account and provide the name and relevant account information of such transferee. Upon termination of this Agreement for any reason, Subscriber shall work in good faith with Market Agent to effect the transfer or orderly liquidation of Subscriber’s holdings, if any, of Eligible Securities.

1.3 Market Agent may from time to time, in its sole discretion and without incurring any liability to Subscriber, periodically conduct maintenance of, and make additions, deletions or modifications to, the Services or any part thereof.

2. USE OF SERVICES

2.1 Market Agent grants Subscriber, for the term of this Agreement, a personal, limited, nonexclusive, revocable, nontransferable and nonsublicenseable license to Use, and allow Authorized Users to Use (defined below), the Services pursuant to the terms of this Agreement. Subscriber agrees it may Use, and allow Authorized Users to Use, the Services only as expressly permitted by Market Agent hereunder, and that Subscriber may not cause harm to the Services; specifically, but not by way of limitation, Subscriber shall not, and shall not allow others to, (i) interfere with the Services by using programs or technology designed to disrupt or damage any data, software or hardware, (ii) modify, create derivative works from, reverse engineer, decompile or disassemble any technology used to provide the Services, (iii) use a robot, spider or other device or process to monitor the activity on or copy pages from the Services, (iv) engage in any activity that interferes with another user's ability to Use or enjoy the Services, or (v) assist or encourage any third party in engaging in any activity prohibited by Market Agent hereunder;

2.2 The Services are provided solely for Subscriber's internal use (except as specifically provided herein), and Subscriber may not sell, lease, furnish or otherwise provide access to C-BRATSSM or Services to any other person. Subscriber shall at all times be responsible for Authorized Users' actions, including Authorized Users' Use of the Services hereunder, and each Authorized User shall be bound by the terms hereof applicable to Subscriber. Subscriber shall comply, and shall cause Authorized Users to comply, with any additional restrictions on its usage that Market Agent may communicate to Subscriber from time to time, or that are otherwise the subject of an agreement between Subscriber and such Service Providers. Market Agent shall grant Subscriber such access to and Use of the Services on the condition that Subscriber:

(a) shall use the Services only in the ordinary course of its own business for its own internal use;

(b) shall not interfere with the Services by using programs or technology designed to disrupt or damage any data, software or hardware or any part thereof, or engage in any activity that interferes with another user's ability to use or enjoy the Services, or assist or encourage any third party in engaging in any activity prohibited by Market Agent hereunder;

(c) acknowledges and agrees that it has received access to and read the user guide, documentation, Issuance Documents, and technical information provided by Market Agent to Subscriber in written or electronic form for use in connection with C-BRATSSM, as may be updated from time to time by Market Agent (collectively, the "**C-BRATSSM Materials**");

(d) acknowledges and/or agrees that it (i) will, and will require all Authorized Users whom Subscriber has authorized to access C-BRATSSM and/or transmit Orders to C-BRATSSM to, act in accordance with this Agreement and the C-BRATSSM Materials, and(ii) will not (1) alter any information, reports or data supplied to or received as part of the Services, (2) affect the integrity of the Services, including the

information or data therein, or (3), supply to or render information or data from the Services that is illegal, discriminatory or knowingly inaccurate;

(e) agrees that Market Agent may, from time to time, amend or modify C-BRATSSM Materials upon reasonable written notice to Subscriber; and

(f) shall obtain and maintain all legal and regulatory approvals, consents, authorizations, registrations, memberships and licenses required for the conduct of its activities.

2.3 Subscriber shall be solely responsible for any software and equipment necessary for Subscriber to access and Use the Services (“**Subscriber System**”), and Market Agent shall have no responsibility or liability in connection therewith. In the event the Subscriber System is incompatible with, or impairs Subscriber’s Use of, the Services, Subscriber shall nonetheless be liable for Subscriber’s use of (or inability to use) the Services. Market Agent will provide Subscriber with information relating to accessing the Services, including, but not limited to, application programming interfaces.

2.4 Subscriber shall not allow any person other than an Authorized User authorized by Subscriber in writing to Market Agent and listed on Schedule 1 hereto, which shall be updated by the Parties from time to time to reflect the then-current list of Authorized Users. Subscriber shall promptly notify Market Agent of any changes to the authority of an Authorized User. Each Authorized User will be assigned a user name and password pursuant to this Agreement. Logins are not transferrable. Subscriber acknowledges and agrees that Market Agent may monitor use of the Services for compliance with all Applicable Laws and this Agreement. Subscriber will supply Market Agent with all information that Market Agent may reasonably request in writing relating to Subscriber’s use of the Services. Market Agent may report this information to regulatory authorities, as it reasonably determines to be necessary or otherwise required.

2.5 Subscriber acknowledges and agrees that Market Agent cannot guarantee that Subscriber will not experience any downtime, delays or disruptions in its Use of the Services or posting of bidding results, and no course of dealing shall be construed as such a guarantee.

2.6 Subscriber will not, without Market Agent’s prior written consent, use in conjunction with the Services an automated input facility, an “electronic eye” or any other analogous system which is capable, without manual intervention, of submitting, changing or affecting executions of Orders.

3. **ORDERS AND TRANSACTIONS**

3.1 Orders will be entered into C-BRATSSM as described in the C-BRATSSM Materials. Market Agent shall have no responsibility or liability for transmissions that are inaccurate or not received by C-BRATSSM, and Market Agent may execute any transaction on the terms of any Order actually received by C-BRATSSM. Subscriber acknowledges and agrees that it is solely responsible for ensuring the accuracy and completeness of each Order entered into C-BRATSSM. Subscriber will be bound by the terms of any Order submitted by a

Subscriber's Authorized User through C-BRATSSM and by any resulting transactions even if such Order was not authorized by Subscriber. If necessary, Market Agent will use commercially reasonable efforts to implement a verbal instruction validly given by Subscriber to modify, replace or cancel an Order before execution, Subscriber acknowledges and agrees that such efforts may not be effective, that an execution may be performed on the original terms of such Order, and that Market Agent shall have no liability to Subscriber, any Authorized User or any third party for any failure of Market Agent or C-BRATSSM in implementing Subscriber's instruction to modify, replace or cancel an Order. Subscriber acknowledges and agrees that any action by Subscriber or any Authorized User to modify, replace or cancel an Order submitted to C-BRATSSM by communicating with Market Agent through means other than as described herein may be ineffective and that Subscriber shall remain solely responsible and liable for any transactions executed on such Order.

3.2 Subscriber agrees that any Order entered by Subscriber or any Authorized User into C-BRATSSM shall be eligible for execution at any time until such Order has expired by its terms, is cancelled in accordance with this Agreement, or is executed. An Order shall be deemed received by C-BRATSSM when such Order is saved and "time-stamped" by C-BRATSSM. Subscriber understands and agrees that during periods of heavy trading volume, Orders (including instructions to modify, replace or cancel an Order) may take longer to execute and process through C-BRATSSM, and Market Agent shall have no liability to Subscriber or its customers for any transactions executed for any such Order.

3.3 Subscriber agrees to notify Market Agent if there are any discrepancies between Subscriber's Eligible Securities Positions as reflected in C-BRATSSM ("**Positions**") and Subscriber's internal books and records, such notification to be given as soon as possible, but in any event prior to the submission deadline for Subscriber to enter an Order (the "**Submission Deadline**") for each Eligible Security on each Bid Process Date. Subscriber acknowledges and agrees that Orders for any Eligible Security must be submitted on or before the Submission Deadline for such Eligible Security. When applicable, Market Agent will endeavor to alert Subscriber of upcoming Submission Deadline(s) for Eligible Securities then owned by Subscriber (according to C-BRATSSM) to prompt Subscriber, to submit Orders for each such Eligible Security, and, when applicable, a Hold-Auto Order (defined below) will be submitted unless the Subscriber submits Orders for the entire principal amount of Eligible Securities held by such Subscriber prior to the Submission Deadline. Although Market Agent will endeavor to provide the notifications set forth herein, Subscriber acknowledges that there is no guarantee that such notifications will be given, and in a timely manner. Subscriber acknowledges and agrees that Orders may be entered by the Issuer for its own bonds, and, when applicable, Orders will be entered for each deal by the respective liquidity provider.

3.4 **SUBSCRIBER ACKNOWLEDGES AND AGREES THAT CERTAIN ELIGIBLE SECURITIES CONTROLLED BY SUBSCRIBER MUST HAVE A BID ASSIGNED TO THEM AS OF EACH SUBMISSION DEADLINE.** Regardless of any of the above notifications being given, if Subscriber takes no action on any such Eligible Security as of any Submission Deadline, then C-BRATSSM shall, as of the Submission Deadline, enter a bid for each such Eligible Security identical to the previous week's bid rate for such Eligible Security ("**Hold-Auto Order**"), which may be deemed a Sell Order, resulting in the sale of any such Eligible Security. Subscriber is responsible at all times for ensuring the accuracy of

its Positions, and will not enter Orders on C-BRATSSM to sell Eligible Securities that are not then controlled by Subscriber.

3.5 Subscriber acknowledges and agrees that Market Agent will be a party to buy and sell Orders effected through C-BRATSSM, and that Market Agent, acting through its clearing bank, is the clearing firm for purposes of settlement and clearing of all transactions hereunder, except as otherwise expressly agreed between the Parties in writing. Subscriber agrees that Subscriber, and not Market Agent, is solely responsible for the review of the Issuance Documents pertaining to each Eligible Security, and for any investment or trading decisions made by it with respect to Orders entered. Subscriber will, and will cause its Authorized Users to, use the Services, enter Orders and execute transactions only for its own benefit and account(s) under its management and will not use the Services on behalf of third parties (other than its customers, if Subscriber is a broker-dealer, investment manager, investment advisor, bank or trust company) without Market Agent's prior written permission.

3.6 Upon request by Subscriber, Market Agent will investigate any transaction occurring on C-BRATSSM that has failed to settle in the reasonable and customary fashion of any broker/dealer.

3.7 Subscriber acknowledges and agrees that Market Agent may, from time to time, provide a list of holders of each Eligible Security to the issuer of such Eligible Security, unless Subscriber timely notifies Market Agent in writing of Subscriber's objections.

4. SUSPENSION OF TRADING; ERRONEOUS TRADES; TRADING LIMITS

4.1 Market Agent may, in its reasonable sole discretion, upon reasonable notice where possible, halt or suspend trading on C-BRATSSM, halt or suspend activity in any Eligible Securities on C-BRATSSM or make modifications to C-BRATSSM. In addition to and not in lieu of the foregoing, Market Agent may modify the terms of or cancel an Order or a transaction executed through C-BRATSSM if Market Agent determines, in its sole and reasonable discretion, that such transaction was clearly erroneous for any reason, including, without limitation, due to the erroneous entry of an Order or the erroneous execution of a transaction by C-BRATSSM, and Market Agent shall provide Subscriber reasonably prompt notice of each such modification or cancellation. Market Agent shall have no liability to Subscriber as a result of its decision to exercise its rights (or its failure to do so) under this Section 4. **SUBSCRIBER AGREES THAT, WITHOUT LIABILITY TO SUBSCRIBER OR TO ANY OF SUBSCRIBER'S AUTHORIZED USERS OR CUSTOMERS, MARKET AGENT RETAINS THE RIGHT TO (1) REJECT ANY ORDER IN ITS SOLE DISCRETION AND (2) CANCEL ANY ORDER OR VOID ANY TRANSACTION IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT OR IF SUCH ORDER OR TRANSACTION, IN MARKET AGENT'S REASONABLE SOLE DISCRETION, VIOLATES APPLICABLE LAW.**

4.2 Market Agent may consult with counsel of its choice regarding action to be taken by Market Agent hereunder or under any documentation relating to C-BRATSSM, and

the advice of such counsel shall be deemed full and complete authorization by Subscriber in respect to any action so taken, suffered or omitted by Market Agent hereunder in reliance thereon. In addition, Subscriber acknowledges and agrees that the bid process and rate reset mechanism effected on any given day may be re-run in Market Agent's reasonable sole discretion, and upon reasonable notice where possible, due to clerical errors or Force Majeure (defined below) or in any situation in which C-BRATSSM is compromised or interrupted (collectively, a "**Compromised Bid Process**"), which may result in an erroneous Clearing Market Rate being determined. Subscriber further acknowledges and agrees that in the event of a Compromised Bid Process, Market Agent may, in its reasonable sole discretion, upon reasonable notice where possible, re-open the bid process for such Eligible Security for sixty (60) continuous minutes (a "**Bid Process Re-Opening**"). A Bid Process Re-Opening shall result in the potential re-bidding of the Eligible Security during an extended Submission Deadline, which extended Submission Deadline shall be extended up to sixty (60) minutes from the time Market Agent initiates the Bid Process Re-Opening. Upon the occurrence of a Bid Process Re-Opening, Subscriber may place new, or modify existing, Orders on such Eligible Security. In such instances, the term "Submission Deadline" as used herein shall be deemed a reference to the new Submission Deadline extended in connection with the Bid Process Re-Opening for purposes of this Agreement. The inability of a Bid Process Re-Opening to be effected uninterrupted for sixty (60) continuous minutes shall be deemed a Clarity Market Disruption Event, and Section 4.3 shall apply.

4.3 If a Clarity Market Disruption Event occurs on a Bid Process Date for any Eligible Security, and as a result a new Clearing Market Rate for such Eligible Security cannot be established through the bid process, then the Clearing Market Rate to be set for such Eligible Security as of such Bid Process Date shall be the same Clearing Market Rate that applied immediately prior to such Bid Process Date; provided, however, that if such Eligible Security was to have an Interest Rate Period (as set forth in the Issuance Documents) of longer than seven (7) calendar days, the Interest Rate Period to which such newly established Clearing Market Rate shall apply will be automatically converted without action by the Issuer to an Interest Rate Period with a duration of seven (7) calendar days, so that the next Bid Process Date for such Eligible Security will occur seven (7) calendar days after the Bid Process Date on which the newly established Clearing Market Rate was set as provided in this Section 4.3.

5. USE AND OWNERSHIP OF C-BRATSSM DATA

5.1 Subscriber acknowledges that, as between Subscriber and Market Agent, Market Agent and its Service Providers (defined below) own all right, title and interest, including all intellectual property rights, in the Services, C-BRATSSM and C-BRATSSM Materials, and all trademarks or trade names used in connection with C-BRATSSM, along with any data entered into or produced by or for C-BRATSSM (collectively, "**C-BRATSSM Data**"). Market Agent grants Subscriber a non-transferable, royalty-free license during the term of this Agreement to use the C-BRATSSM Data that is provided to Subscriber according to the terms of this Agreement solely (i) for its internal business purposes in connection with Subscriber's Use of C-BRATSSM as permitted herein, (ii) as reasonably necessary to comply with any Applicable Law or request from any regulatory agency or other governing body, or (iii) as reasonably necessary to carry out its obligations and responsibilities under this Agreement.

5.2 Subscriber acknowledges and agrees that this Agreement does not convey or grant to Subscriber or any Authorized User any proprietary rights in the Services, C-BRATSSM Data, any other third-party services or facilities provided or arranged by Market Agent as part of or in connection with the Services, any reports, documentation or data distributed by Market Agent or any quotations and other transaction data and information included as part of the Services, and all intellectual property rights associated therewith are expressly reserved by Market Agent or by any applicable Service Providers selected by Market Agent or their respective licensors. Subscriber agrees not to violate those property rights and to honor and comply with Market Agent's reasonable requests to provide information and other reasonable assistance to Market Agent, at Market Agent's sole expense, as may be necessary to protect its and its Service Providers' contractual, statutory and common-law rights. Subscriber shall notify Market Agent in the event it becomes aware of any violation by any of its officers, directors, employees or agents of Market Agent's or its Service Providers' proprietary rights in the Services or the C-BRATSSM Data.

6. SECURITY OBLIGATIONS

6.1 Responsibilities of Subscriber. Subscriber shall ensure that it has implemented commercially-reasonable security systems and procedures to prevent unauthorized use or misuse of the Services and that such systems and procedures are consistent with its standard security procedures. These systems and procedures shall include at a minimum:

- (a) establishing and maintaining commercially reasonable procedures to ensure that C-BRATSSM is accessed and Used only by Authorized Users;
- (b) informing Authorized Users of Subscriber's obligations under this Agreement and the C-BRATSSM Materials, and taking reasonable steps to ensure that Authorized Users comply with such obligations and all Applicable Laws;
- (c) taking reasonable steps to ensure that each Authorized User uses only his/her own login and password to access C-BRATSSM; and
- (d) using commercially-reasonable anti-virus software and security measures to prevent any virus from adversely affecting C-BRATSSM.

6.2 Subscriber shall be responsible for all acts and omissions of Authorized Users, or of any person using a current User ID or password allocated to Subscriber or any Authorized User, which shall be deemed to be acts or omissions of Subscriber.

6.3 Subscriber shall immediately cease access to and Use of C-BRATSSM by Subscriber and all Authorized Users if notified by Market Agent, or if it otherwise becomes aware of, or suspects, a technical failure of security breach involving C-BRATSSM. Subscriber shall immediately notify Market Agent of such a failure or breach involving C-BRATSSM. Subscriber shall also promptly notify Market Agent in the event any Authorized User is no longer authorized to access or Use C-BRATSSM. Subscriber will prohibit such Authorized User from further Use of C-BRATSSM. Market Agent shall have the right, in its sole discretion, to

prevent access to and Use of C-BRATSSM by such Authorized User, but in any event, Subscriber shall remain responsible for such Authorized User's access to or Use of the Services.

7. LIMITATION OF LIABILITY

7.1 Subscriber acknowledges and agrees that:

(a) Market Agent shall have no liability to Subscriber, any Authorized User or any third party for any failure or mistake of Market Agent or C-BRATSSM in implementing Subscriber's verbal instruction to modify, replace or cancel an Order;

(b) Subscriber agrees that it is solely responsible for any investment or trading decisions made by it with respect to Orders entered for Eligible Securities and that Market Agent will not be responsible for determining the suitability, appropriateness or advisability of any transaction Subscriber may enter into hereunder or by Use of the Services;

(c) except as expressly provided in this Agreement, Market Agent is not liable in any manner to any person (including but not limited to Subscriber, Authorized Users and Subscriber's customers) for the failure of such person to perform its obligations under any Order or transaction;

(d) this Agreement sets out all the duties of Market Agent and its Affiliates and Service Providers in relation to this Agreement. Market Agent and its Affiliates and Service Providers shall have no further duties, implied or otherwise, to Authorized Users or Subscriber in relation to the subject matter of this Agreement;

(e) Subscriber shall be responsible and liable for any damages to Market Agent from the use of C-BRATSSM, including where Subscriber fails to follow, or deviates from, the terms of this Agreement or C-BRATSSM Materials, including failure to honor any transactions consummated on C-BRATSSM; and

(f) neither Market Agent nor any of its Affiliates or Service Providers will have any obligation or liability in respect of or be responsible for, or otherwise be deemed to guarantee, the performance of any transaction entered into by Subscriber through the use of the Services. Market Agent shall not be liable for, and Subscriber will not, and will not permit Authorized Users to, bring any legal action, whether in tort, including negligence, breach of contract or otherwise, against Market Agent or any of its Affiliates or Service Providers alleging damages for the failure of any counterparty to perform or otherwise settle a transaction entered into by Subscriber using the Services.

7.2 TO THE MAXIMUM EXTENT PERMITTED BY LAW, EXCEPT FOR INDEMNITY OBLIGATIONS AND BREACHES OF SPECIFIC CONFIDENTIALITY OBLIGATIONS HEREUNDER, IN NO EVENT SHALL MARKET AGENT, OR ANY OF ITS AFFILIATES, SERVICE PROVIDERS OR VENDORS OR THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, BE LIABLE TO SUBSCRIBER OR ITS CUSTOMERS OR AUTHORIZED

USERS FOR ANY LOSS, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OR LOST OR IMPUTED PROFITS OR ROYALTIES, LOST DATA, LOSS OF BUSINESS, OR COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES ARISING OUT OF OR RELATED TO: (i) THE USE OF THE SERVICES; OR (ii) THIS AGREEMENT. IN ADDITION, NONE OF MARKET AGENT, ITS AFFILIATES OR ITS SERVICE PROVIDERS SHALL HAVE ANY LIABILITY TO SUBSCRIBER FOR THE FAILURE OF C-BRATSSM TO TIMELY EXECUTE AND PROCESS ORDERS OR OF ANOTHER SUBSCRIBER, CUSTOMER OR OTHER PERSON TO CONCLUDE TRANSACTIONS OR TO OBSERVE ANY APPLICABLE LAW, OR TO PAY REQUISITE TAXES OR OTHER CHARGES ON ANY TRANSACTIONS, OR TO ACT IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT. EXCEPT FOR INDEMNITY OBLIGATIONS AND BREACHES OF CONFIDENTIALITY OBLIGATIONS HEREUNDER, MARKET AGENT'S AGGREGATE LIABILITY HEREUNDER SHALL IN NO EVENT EXCEED AN AMOUNT EQUAL TO TWO THOUSAND FIVE HUNDRED DOLLARS (\$2500). EACH PARTY HEREBY WAIVES ANY CLAIM THAT THESE EXCLUSIONS DEPRIVE IT OF AN ADEQUATE REMEDY OR CAUSE THIS AGREEMENT TO FAIL OF ITS ESSENTIAL PURPOSE. THE FOREGOING SETS FORTH EACH PARTY'S EXCLUSIVE REMEDY FOR BREACH OF THIS AGREEMENT BY THE OTHER.

7.3 Third Party Information. Subscriber acknowledges that Market Agent may provide third-party credit rating or other information on C-BRATSSM or by means of links from third parties. Market Agent makes no representation or warranty as to the accuracy, completeness or currency of such information.

8. REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1 Market Agent Representations, Warranties and Covenants. Market Agent hereby represents, warrants and covenants that it: (i) has all requisite authority to enter into and perform the Services contemplated by this Agreement under Applicable Law, and (ii) has all requisite third-party rights to enter into and perform the Services contemplated by this Agreement.

8.2 Subscriber Representations, Warranties and Covenants. Subscriber hereby represents, warrants and covenants, on its own behalf and on behalf of its Authorized Users, that each: (i) has the full right, power and authority to execute and deliver this Agreement and to bind each party for which Subscriber is acting, that the person signing below is duly authorized by Subscriber, and that this Agreement constitutes a legal, valid and binding obligation of Subscriber and each party for which Subscriber is acting; (ii) has the requisite power and is authorized to enter into the transactions contemplated by this Agreement and to perform its obligations hereunder in connection with such transactions; (iii) has thoroughly reviewed the Issuance Documents pertaining to each Eligible Security for which any Orders are placed, and (iii) agrees that the terms of such Issuance Documents prevail over any contradictory information contained in C-BRATSSM, (iv) shall not: (1) enter any Orders to sell Eligible Securities that are not then controlled by Subscriber; (2) access or use C-BRATSSM for any purpose inconsistent

with the substance and terms of this Agreement or the C-BRATSSM Materials; (3) introduce into C-BRATSSM any code, virus or mechanism that would impair C-BRATSSM or Market Agent's (or its Service Providers') systems, computers or software; (4) use C-BRATSSM to gain unauthorized access to any system or database; (5) sublicense access to C-BRATSSM to any third party; (6) disclose to any third party nonpublic information relating to the content or operation of C-BRATSSM, which information is confidential and proprietary to Market Agent or its Affiliates or Service Providers; or (7) remove or obscure any of Market Agent's or any Service Provider's trademarks, service marks or markings of copyright or patent rights contained in C-BRATSSM; Subscriber will not use the Services to effect transactions in Eligible Securities of which Subscriber, or any of its Affiliates, is the issuer, or, if Subscriber is a broker-dealer, investment manager or investment advisor and is acting on behalf of a customer, of which the customer, or the customer's affiliate, is the issuer. Subscriber is responsible for any delays, expenses and losses associated with compliance, or failure to comply, with the requirements for notification of any Eligible Securities. All of Subscriber's representations, warranties and covenants made in or pursuant to this Agreement will survive the termination of this Agreement.

8.3 Disclaimer of Warranty. **EXCEPT AS SPECIFICALLY SET FORTH IN SECTION 8.1, THE SERVICES, ORDERS AND DATA PROCESSED BY OR TRANSMITTED THROUGH C-BRATSSM ARE MADE AVAILABLE "AS IS" AND WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE. EACH OF MARKET AGENT AND ITS SERVICE PROVIDERS EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF TIMELINESS, TRUTHFULNESS, SEQUENCE, COMPLETENESS, ACCURACY, FREEDOM FROM ERRORS OR INTERRUPTION OR DEFECT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE, AND ANY IMPLIED WARRANTIES ARISING FROM TRADE USAGE, COURSE OF DEALING OR COURSE OF PERFORMANCE.**

9. TERM

9.1 This Agreement shall commence from the date hereof and shall continue in effect until terminated by either Party upon thirty (30) days' prior written notice to the other Party. Notwithstanding the foregoing, either Party also may terminate this Agreement at any time, with such termination effective immediately upon delivery by the terminating Party of written notice to the other Party, if (i) the other Party, or any of its Affiliates, becomes insolvent, (ii) the other Party, or any of its Affiliates, becomes the subject of a petition in bankruptcy, or a proceeding, order, resolution or any other step is made or taken by any person for the winding-up, insolvency, administration, reorganization, reconstruction, dissolution or bankruptcy of such other Party or such Affiliate or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of such other Party or such Affiliate or of all or any part of its assets or business which is not dismissed within sixty (60) days, (iii) the other Party, or any of its Affiliates, makes an assignment for the benefit of creditors or (iv) the other Party, or any of its Affiliates, violates Applicable Law, or materially breaches its obligations under this Agreement or breaches any provision of the C-BRATSSM Materials. Each Party hereby agrees that it shall promptly notify the other Party in writing if any of the events specified in clauses (i) to (iv) of the preceding sentence occurs with respect to it or any part of its assets or business.

9.2 Without limiting any right of Market Agent to terminate or suspend access to or Use of C-BRATSSM at any time and in its reasonable sole discretion, Market Agent may, at any time and without delivery of prior written notice to Subscriber, terminate or suspend Market Agent's obligations under this Agreement in whole or in part immediately if Market Agent learns, or believes in its sole reasonable judgment, that (i) there exists any actual or potential defect in any of the Services that materially impairs the reliability, credibility or integrity of the operation thereof, (ii) continuing to provide any of the Services pursuant to this Agreement would infringe upon the intellectual property rights of any third party, (iii) any of the Services have been or are being Used by Subscriber or any Authorized User for any unlawful purpose or in a manner that is in violation or contravention of Applicable Law, (iv) published or prevailing market prices for any relevant Eligible Securities do not accurately reflect market conditions, whether as a result of excess volatility, excess liquidity or otherwise, or (v) offering or continuing to provide any of the Services is prohibited by Applicable Law.

9.3 Upon termination, Subscriber shall (i) cease Use of the Services, C-BRATSSM and C-BRATSSM Data, and destroy or return any Market Agent Confidential Information (as defined below) or C-BRATSSM Materials then in possession or control of Subscriber. Further, the termination of this Agreement for any reason shall not affect (1) the obligations of Subscriber with respect to any Order or transaction with a counterparty entered into by Subscriber prior to the effective date of termination, or (2) in respect of both Parties, any additional remedies provided by law or equity.

9.4 Upon notice of termination, Subscriber and Market Agent shall work together in good faith to effect the transfer or orderly liquidation of such holdings, and the cancellation of such Orders, if any, of Eligible Securities.

10. CONFIDENTIALITY

10.1 “**Confidential Information**” means, with respect to a Party hereto, all information or material which (a) is marked “Confidential,” “Restricted,” or “Confidential Information” or similar marking; or (b) is known by the Parties to be considered confidential. This Agreement and the information contained herein, any other information provided by Market Agent, including, without limitation, C-BRATSSM Data (collectively, “**Market Agent Confidential Information**”), are Confidential Information of Market Agent and/or its Affiliates, agents and vendors. Each Party agrees to maintain the secrecy and confidentiality of such Confidential Information of the other Party and shall neither disclose or use nor permit any other person to disclose or use the same to any third party, except as required by Applicable Law. Each Party acknowledges that the unauthorized disclosure of such Confidential Information cannot be adequately or reasonably compensated for by monetary damages and, therefore, agrees that in the event of such an unauthorized disclosure or use, the Party owning such Confidential Information shall be entitled to seek injunctive and other equitable and injunctive relief without waiver of any other rights or remedies which a Party may have.

10.2 Confidential Information excludes information: (i) in the public domain (except as the result of disclosure in breach of this Agreement); (ii) possessed by a receiving Party without any confidentiality obligation associated therewith; (iii) disclosed to a receiving

Party by a third party legally entitled to make such disclosure; or (iv) independently developed by the receiving Party without use of the Confidential Information. Each Party agrees that Confidential Information of the other Party may be directly disclosed (i) to a court, administrative agency, self-regulatory organization or other governmental body having appropriate authority, or (ii) as required by Applicable Law. In addition, either Party may make such disclosure: (i) as otherwise provided in this Agreement; (ii) pursuant to authorization by the other Party in writing; and (iii) pursuant to an order or subpoena of a court or regulatory body having jurisdiction over such Party; provided, however, that unless otherwise prohibited, prompt notice shall be given to the other Party of the receipt of such an order or subpoena prior to the Party's compliance therewith.

11. INDEMNIFICATION

11.1 Subscriber Indemnity. Subscriber agrees to indemnify, defend and hold Market Agent, its Affiliates and Service Providers, and each of their respective officers, directors, employees and agents harmless from and against any and all third-party claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties and reasonable attorney's fees, arising from or as a result of (i) Subscriber's or any Authorized User's breach of any of its representations, warranties or covenants under this Agreement, (ii) the failure of Subscriber, for any reason, to clear or settle any transaction effected on C-BRATSSM, which, by the terms of this Agreement, Subscriber is obligated to accept, (iii) any contravention of any Applicable Law by Subscriber or any Authorized User, (iv) any noncompliance with any provision of any C-BRATSSM Materials by Subscriber or any Authorized User, (v) Subscriber's or any Authorized User's fraud, gross negligence, bad faith, willful misconduct or knowing breach of confidentiality, (vi) any orders received or transmitted through Subscriber's hardware and/or software, and (vii) claims for violation of any third-party proprietary right, including copyright, patent, trade secret and trademark rights, arising from the use by Subscriber or any Authorized User of the Services provided by Market Agent or Service Providers pursuant to this Agreement, unless covered by Market Agent's indemnification obligations as set forth in Section 11.2.

11.2 Market Agent Indemnity. Market Agent agrees to indemnify, defend and hold Subscriber, its Affiliates and vendors, and each of their respective officers, directors, agents, customers, and employees harmless from and against any and all third-party claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties and reasonable attorney's fees, arising from or as a result of claims for violation of any third-party United States intellectual property right arising solely from the offering or use of the Services related thereto ("IP Claim"). Without limiting Market Agent's indemnification obligations, in the event Use of the Services becomes, or in Market Agent's reasonable opinion is likely to become, the subject of a claim of infringement as outlined in this Section 11.2, Market Agent shall, at its option and expense: (i) obtain the continuing right to use the Services; or (ii) modify the Services or replace the same so that such Use no longer infringes; or, if neither (i) nor (ii) is reasonably practicable, (iii) terminate this Agreement. Notwithstanding any other provisions hereof, the provisions of this Section 11.2 state Market Agent's entire liability to Subscriber in respect of any IP Claim.

11.3 Notice of Indemnification. A party seeking indemnification pursuant to this Section 11 (an “**Indemnified Party**”) from or against the assertion of any claim by a third person (a “**Third Person Assertion**”) will give prompt written notice to the party from whom indemnification is sought (the “**Indemnifying Party**”); provided, however, that failure to give prompt written notice will not relieve the Indemnifying Party of any liability hereunder (except to the extent the Indemnifying Party has suffered actual material prejudice by such failure).

11.4 Assumption of Defense. Within five (5) days of receipt of written notice pursuant to Section 11.3, the Indemnifying Party will have the right, exercisable by written notice to the Indemnified Party, to assume the defense of a Third Person Assertion. If the Indemnifying Party assumes such defense, the Indemnifying Party may select counsel, which counsel will be reasonably acceptable to the Indemnified Party. If the Indemnifying Party: (a) does not assume the defense of any Third Party Assertion in accordance with this Section 11; (b) having so assumed such defense, unreasonably fails to defend against such Third Person Assertion; or (c) has been advised by the written opinion of counsel to the Indemnified Party that the use of the same counsel to represent both the Indemnifying Party and the Indemnified Party would present a conflict of interest, then, in each case upon five (5) days’ written notice to the Indemnifying Party, the Indemnified Party may assume the defense of such Third Person Assertion. In such event, the Indemnified Party will be entitled under this Section 11 as part of its damages to indemnification for the costs of such defense.

11.5 Settlement. The party controlling the defense of a Third Person Assertion will have the right to consent to the entry of judgment with respect to, or otherwise settle, such Third Person Assertion with the prior written consent of the other party, which consent will not be unreasonably withheld or delayed; provided, however, that such other party may withhold consent if any such judgment or settlement imposes a monetary obligation on such other party that is not covered by indemnification, imposes any material non-monetary obligation or does not include an unconditional release of such other party and its Affiliates from all claims of the Third Person Assertion.

11.6 Participation. The Indemnifying Party and the Indemnified Party will cooperate, and cause their respective Affiliates to cooperate, in the defense of any Third Person Assertion. The Indemnifying Party or the Indemnified Party, as the case may be, will have the right to participate, at its own expense, in the defense or settlement of any Third Person Assertion. The Indemnifying Party’s obligation is subject to the Indemnified Party: (i) notifying the Indemnifying Party promptly in writing of the claim; (ii) giving the Indemnifying Party the exclusive control of the defense and settlement thereof; and (iii) providing reasonable assistance, at the Indemnifying Party’s expense, necessary to perform the Indemnifying Party’s obligations hereunder.

12. **GENERAL**

12.1 Notices. All notices, requests, reports and other communications to any Party hereunder will be in writing and shall either be hand delivered, sent by overnight courier service, sent by email, sent by registered mail return receipt requested, or transmitted by facsimile number, as set forth below (except to the extent a Party notifies the other Party in

writing that different contact information should be used). Each such notice, request, report or other communication will be effective (i) on the delivery date if hand delivered, (ii) on transmission date if sent by email, (iii) on the delivery date specified on the overnight package, (iv) on the delivery date specified on the return receipt if sent by registered mail, or (v) when such facsimile is transmitted and confirmation of receipt is obtained, if given by facsimile.

If to Market Agent: Arbor Research & Trading, LLC
10 East 40th Street
13th Floor
New York, NY 10016
Attention: Robert Novembre
Phone: 212-867-9819
Fax: 212-867-8529

Email: rob.novembre@claritybid.com

If to Subscriber: _____

Attention: _____
Phone: _____
Fax: _____
Email: _____

12.2 Survival. Any provision of this Agreement that by its very nature or context is intended to survive any termination, cancellation or expiration thereof shall so survive and shall apply to respective successors and assigns.

12.3 Force Majeure. Notwithstanding any other term or condition of this Agreement, neither Party nor its third-party providers, including, but not limited to, software, hardware, communications and data providers, shall be obligated to perform or observe its obligations undertaken in this Agreement (except for obligations to make settlements hereunder and regulatory obligations) if prevented or hindered from doing so by any circumstances found to be beyond its reasonable control and without the gross negligence or willful misconduct on the part of either Party (“**Force Majeure**”) Such causes may include, without limitation, acts of God, acts of government in its sovereign or contractual capacity, any act of declared or undeclared war or of a public enemy (including acts of terrorism), power shortages or failures, utility or communication failure or delays, labor disputes, strikes, shortages, supply shortages, equipment failures or malfunctions (including software malfunctions); provided, however, that the Party relying on such event has in place commercially reasonable backup and disaster recovery systems. The time for performance of any act delayed by such events may be postponed for a period of time equal to the delay and, in respect of performance of the Services, any additional time reasonably required to reinstate the applicable Services.

12.4 Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the

conflicts-of-law principles thereof and, with respect to any dispute arising out of this Agreement, each Party hereby consents to the exclusive jurisdiction of the courts sitting in such State, County of New York, unless such dispute is required to be arbitrated by the rules of FINRA, and each Party waives any argument as to convenience of forum and hereby waives all rights to a jury trial.

12.5 Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

12.6 Amendment; No Waiver. Market Agent shall have the right to amend the terms of this Agreement to the extent necessary to comply with a change in any Applicable Law. Except as set forth in the preceding sentence, no term or provision of this Agreement (or any schedules and attachments which are a part hereof) may be amended, modified or waived unless in writing and signed by the Party against whom such amendment, waiver or modification is sought to be enforced. A Party's failure to insist at any time on strict compliance with this Agreement or with any of the terms hereunder or any continued course of such conduct on such Party's part will in no event constitute or be considered a waiver by such Party of any of its rights or privileges.

12.7 Entire Agreement. This Agreement, as amended from time to time pursuant to writings agreed to and signed by both Parties, shall constitute the entire agreement between both Parties and shall supersede all prior agreements, arrangements, representations or promises, whether oral or written, between the Parties with respect to the subject matter hereof. If any term of this Agreement conflicts with a term in any other agreement between Subscriber and Market Agent regarding the subject matter contained herein, this Agreement shall prevail only to the extent that such term relates to Subscriber's use of C-BRATSSM.

12.8 Assignment. This Agreement may not be assigned or transferred by either Party to any other individual or entity without the prior written consent of the non-assigning Party, except that this Agreement may be assigned or transferred by Market Agent to (i) a third party in the event of the sale of all or substantially all of its assets or a business unit to such third party, or (ii) any entity Controlling, Controlled by or under common Control with Market Agent.

12.9 Severability. If any provision of this Agreement is or should become inconsistent with any present or future law, rule or regulation of any governmental or regulatory body with jurisdiction over the subject matter of this Agreement, such provision will be deemed to be rescinded or modified in accordance with such law, rule or regulation. In all other respects, this Agreement will continue and remain in full force and effect.

12.10 No Joint Venture. Neither this Agreement nor any operation hereunder is intended to be, shall not be deemed to be, and shall not be treated as creating a general or limited partnership, association or joint venture or agency or employment relationship between the Parties.

12.11 No Third-Party Beneficiary. This Agreement is intended solely for the benefit of Subscriber and Market Agent and their respective successors and permitted assigns,

and no third party shall have any rights or interest in any provision of this Agreement. Except as specifically provided herein, nothing contained in this Agreement shall be deemed or construed to create an obligation on the part of Subscriber to any third party, nor shall any third party have a right to enforce against Subscriber any right that Market Agent may have under this Agreement.

12.12 Counterparts. This Agreement may be signed in one or more counterparts, all of which will be considered one and the same agreement, and this Agreement will become effective when one or more of such counterparts have been signed by each Party and delivered to the other Party.

12.13 Definitions. For purposes of this Agreement:

(a) “**Affiliate**” means any organization that (1) is Controlled by, Controls or is under common Control with another person or entity or is managed or operated by another person or entity or any of the entity’s subsidiaries.

(b) “**Authorized User**” means an individual who is a full- or part-time employee of Subscriber or an Affiliate and who has been expressly authorized by Subscriber and is reflected in Schedule 1 hereto.

(c) “**Bid Process Date**” means the day that Orders are effective and processed to determine a Clearing Market Rate.

(d) “**Clarity Market Disruption Event**” means that C-BRATSSM is unable to accept Orders, determine a Clearing Market Rate or otherwise function as expected.

(e) “**Clearing Market Rate**” means the lowest interest rate at which the entire principal amount of a specific Eligible Security registered on C-BRATSSM would be sold.

(f) “**Control**” over a person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or other equity interest, representation on its board of directors or body performing similar functions, by contract or otherwise. The terms “**Controlling**” and “**Controlled**” will have corollary meanings.

(g) “**Hold-Auto Order**” means an Order on behalf of an Existing Holder who has not submitted Orders on a Bid Process Date for the entire principal amount of Bonds held by such Existing Holder. Hold-Auto Orders will be submitted with a rate equal to the bid rate for the last executed Order, on an order to order basis, whether a Bid to Roll Order, Bid to Buy Order, an Auto-Hold Order or a purchase in the secondary market.

(h) “**Issuance Documents**” means the documentation governing the issuance of the Eligible Securities as provided by the issuer of such Eligible Securities.

(i) **“Order”** means a Bid To Buy Order, a Bid To Roll Order, Good Til Cancel, Market Roll, Hold-Auto Order or a Sell Order, as applicable.

(j) **“Use”** means to host, load, use, install, execute, view, employ, utilize, store, display, access or compile C-BRATSSM and/or the Services.

IN WITNESS WHEREOF, the Parties by their authorized representatives have caused this Agreement to be executed as of the date first written above.

**ARBOR RESEARCH & TRADING,
LLC**

By: _____
Authorized Representative

Printed Name: _____

Title: _____

10 East 40th Street
13th Floor
New York, NY 10016

[SUBSCRIBER]

By: _____
Authorized Representative

Printed Name: _____
Title: _____

Email: _____

(Street Address)

(City, State and Zip Code)

SCHEDULE 1

AUTHORIZED USERS

Last Updated _____, 201__

APPENDIX G
STATE CONTINUING DISCLOSURE UNDERTAKING

**MASTER AGREEMENT ON CONTINUING DISCLOSURE
(AMENDED AND RESTATED MARCH 1, 2019)**

This Master Agreement on Continuing Disclosure (**Disclosure Agreement**) is executed and delivered by the State of Wisconsin (**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**” shall mean 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 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 securities to which this Disclosure Agreement applies.

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

“**Commission**” shall mean the U.S. Securities and Exchange Commission.

“**Disclosure Agreement**” shall mean this agreement.

“**EMMA**” shall mean the Electronic Municipal Market Access system for municipal securities disclosure, a Commission-approved electronic database established and operated by the MSRB to accommodate the collection and availability of required filings of secondary market disclosures under the Rule.

“**Event Notice**” shall mean a notice of an occurrence of a Listed Event provided under Section 6(b) hereof or a notice provided under Sections 4(c), 6(c), or 8.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended from time to time.

“**financial obligation**” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of a debt obligation or such a derivative instrument. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“**Issuer**” shall mean the securities issuer described above, namely, the State of Wisconsin.

“**Listed Event**” shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Participating Underwriter**” shall mean any broker, dealer, or municipal securities dealer that is required to comply with the Rule when acting as an underwriter in connection with a primary offering of an issue of Bonds.

“**Resolution**” shall mean the resolution or resolutions of the State of Wisconsin Building Commission 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 Commission under the Exchange Act.

“**Supplemental Agreement**” shall mean an agreement, substantially in the form of Exhibit B hereto, that either (i) determines that the Disclosure Agreement and a specific Addendum Describing Annual Report shall apply to a specific issue of Bonds or (ii) determines that the Disclosure Agreement (other than Sections 4 or 5, which concern Annual Reports) shall apply to a specific issue of Bonds.

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 a primary offering of an issue of 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 in whole or in part, as specified by the 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 promote uniformity of the Issuer’s obligations with respect to 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, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If Issuer’s audited financial statements are not publicly available at the time the Annual Report is submitted, the Issuer shall submit them to the MSRB within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide an Annual Report to the MSRB by the date required in subsection (a), the Issuer shall send an Event Notice to the MSRB.

SECTION 5. Content and Submission 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 shall be submitted to the MSRB in an electronic format, and accompanied by identifying information, as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB prescribes that all submissions of secondary disclosure be made through EMMA. The Annual Report may be submitted as a single document or as a package comprising separate documents. All, or any of, the items constituting the Annual Report may be incorporated by reference from other documents available to the public on the MSRB's Internet Web site or filed with the Commission. The Issuer shall clearly identify each document so incorporated by reference.

(c) Each time the Issuer submits information to the MSRB in accordance with this Disclosure Agreement, it shall confirm, in the manner it deems appropriate, the MSRB's prescriptions concerning the electronic format and accompanying identifying information. As of the date of this Disclosure Agreement, information on the MSRB's required electronic format and submission procedures through EMMA can be found on the MSRB's Internet Web site at www.emma.msrb.org.

(d) 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:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of an obligated person (for the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person).
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an obligated person, any of which affect Bondholders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the MSRB not in excess of ten business days after the occurrence of the event.

(c) Similarly, if the Issuer determines that it failed to give notice of an occurrence as required by this section, it shall promptly file an Event Notice with respect to such occurrence to the MSRB.

(d) Notwithstanding (b) above, the Issuer shall not be required to file notice of the occurrence of the items listed in number 15 and 16 above for Bonds issued prior to February 27, 2019. For items listed in number 16 above, the financial obligation to which the notice relates may have been issued or entered into prior to or after February 27, 2019.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement with respect to an issue of Bonds shall terminate upon the legal defeasance, prior redemption, or payment in full of all Bonds of the issue or if the Rule shall be revoked or rescinded by the 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 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, 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 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.

In the event this Disclosure Agreement is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it files after such event shall explain the reasons for the amendment or waiver and the impact, if any, of the change in the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, the Issuer agrees that it will give an Event Notice and that the next Annual Report it files after such event will present a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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 Event Notice, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or Event Notice 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 Event Notice.

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 or lawsuit to compel performance. The Issuer reserves any defense it may have to any such action or lawsuit 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 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 as 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) 267-0374, Email: DOACapitalFinanceOffice@wisconsin.gov or such other address, telephone number, fax number, or email address as the Issuer may from time to time provide by an addendum hereto.

SECTION 13. Satisfaction of Conditions. This Disclosure Agreement amends and restates the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) (**Prior Agreement**), executed and delivered by the Issuer and dated December 1, 2010. The Issuer finds and determines that the conditions stated under Section 8 of the Prior Agreement for amendment of the Prior Agreement have been satisfied and, more particularly:

- (a) The amendments are being made in connection with a change in circumstances that arises from a change in legal requirements or a change in law (namely, amendments to the Rule);
- (b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account the amendments to the Rule; and

(c) The amendments do not materially impair the interests of the Bondholders, as determined by an opinion of nationally recognized bond counsel.

IN WITNESS WHEREOF, the Issuer has caused this Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019) to be executed by its duly authorized officer.

Date: March 1, 2019

STATE OF WISCONSIN
Issuer

By: /s/ DAVID R. ERDMAN
David R. Erdman
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] (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019)] (as may be further amended from time to time in accordance with the terms thereof, **Disclosure Agreement**), executed and delivered by the Issuer and dated _____, 20__]. 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: _____, 20____

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 (**Issuer**) to supplement the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019) (as may be further amended from time to time in accordance with the provisions thereof, **Disclosure Agreement**), executed and delivered by the Issuer and dated _____, 20___. 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] [determines that the Disclosure Agreement (other than Sections 4 and 5, which concern Annual Reports) 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: _____, 20__

STATE OF WISCONSIN
Issuer

By: _____
Name: _____
Title: _____

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL OBLIGATIONS

This Addendum Describing Annual Report for General Obligations (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the terms thereof (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019. This Addendum describes the content of an Annual Report prepared with respect to general obligations. 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

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: General Purpose External Financial Statements section of the Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data about the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, (vi) pertinent information on significant pending litigation, (vii) balances of outstanding State obligations, and (viii) statistical information on the State's economic condition and Wisconsin Retirement System.

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

Date: March 1, 2019

STATE OF WISCONSIN
Issuer

By: /s/ DAVID R. ERDMAN
Name: David R. Erdman
Title: Capital Finance Director

FORM OF
SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (**Issuer**) to supplement the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the provisions thereof, (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for General Obligations shall apply to the following issue of obligations:

Name of Obligations: State of Wisconsin
General Obligation Variable Rate Demand Obligation Notes of 2019, Series A

Date of Issue: , 2019

CUSIPs:

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

Date: , 2019

STATE OF WISCONSIN
Issuer

By: _____
David R. Erdman
Capital Finance Director