

NOTICE OF BOND INSURANCE

**STATE OF WISCONSIN
PETROLEUM INSPECTION FEE REVENUE BONDS, 2001 SERIES A**

The undersigned has arranged for the delivery of a municipal bond insurance policy to be issued simultaneously with the delivery of the above captioned bonds by:

FINANCIAL GUARANTY INSURANCE COMPANY

Insuring the payment when due of the principal of and interest on State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A (2001 Series A Bonds).

This Notice includes certain information concerning Financial Guaranty Insurance Company (**Financial Guaranty**) and the terms of the Municipal Bond New Issue Insurance Policy (**Policy**) relating to the 2001 Series A Bonds. Information with respect to Financial Guaranty and the Policy has been supplied by Financial Guaranty. No representation is made by the undersigned as to the accuracy or adequacy of such information. The Policy does not constitute a part of the contract between the State of Wisconsin (**State**) and the holders of 2001 Series A Bonds. The undersigned has the responsibility for paying the premium on, and complying with the conditions for the issuance of the Policy, and the State has no responsibility with respect to such insurance in any way, including the maintenance and enforcement of the Policy or collection of a claim submitted under the Policy.

This Notice has been prepared by the undersigned to provide certain information pertaining to Financial Guaranty and has not been prepared or reviewed by the State, and the State makes no representations to the adequacy of the information contained herein. Each purchaser should consult the Official Statement, dated November 27, 2001, for information about the 2001 Series A Bonds, and the undersigned assumes no responsibility with respect to the Official Statement.

The undersigned has applied for, and upon issuance of the Policy there will be assigned to the 2001 Series A Bonds, the AAA rating from Fitch, Inc., the Aaa rating from Moody's Investors Service, Inc., and the AAA rating from Standard & Poor's Ratings Services.

UBS PaineWebber Inc.

November 27, 2001

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OFFICIAL STATEMENT

New Issue

This Official Statement has been prepared by the State of Wisconsin to provide information on the 2001 Series A Bonds. Selected information is presented on this cover page for the convenience of the reader. To make an informed decision, a prospective investor should read the entire Official Statement. Certain capitalized terms are defined in [APPENDIX B](#).

\$30,000,000

STATE OF WISCONSIN

PETROLEUM INSPECTION FEE REVENUE BONDS, 2001 SERIES A

Dated: Date of Delivery

Due: July 1, as shown below

Underlying Ratings	AA- Fitch Aa3 Moody's Investors Service, Inc. AA- Standard & Poor's Ratings Services
Tax Exemption	Interest on the 2001 Series A Bonds is, for federal income tax purposes, excluded from gross income and not an item of tax preference but is subject to State of Wisconsin income and franchise taxes— Pages 15-16 .
Redemption	The 2001 Series A Bonds are subject to redemption prior to maturity at par on or after July 1, 2006— Page 2 .
Source of Payment	The 2001 Series A Bonds are payable from, and secured by, a pledge of Petroleum Inspection Fees— Pages 5-12 .
Priority	The 2001 Series A Bonds are issued pursuant to the Program Resolution as Senior Bonds and on parity with other Senior Bonds that have been or may be issued pursuant to the Program Resolution— Page 5 .
Purpose	Proceeds are being used primarily to pay remediation costs under the Petroleum Environmental Cleanup Fund Award (PECFA) Program— Pages 3-4 .
Interest Payment Dates	January 1 and July 1, commencing July 1, 2002
Closing/Settlement	On or about December 18, 2001
Denominations	\$5,000
Book-Entry System	The Depository Trust Company— Pages 12-14 .
Trustee/Registrar/Paying Agent	The Bank of New York
Bond Counsel	Foley & Lardner
Issuer Contact	Wisconsin Capital Finance Office; (608) 266-2305; cafin@doa.state.wi.us
2000 Annual Report	This Official Statement incorporates by reference Parts I and II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 .

The 2001 Series A Bonds were sold at competitive sale on November 27, 2001. The interest rates payable by the State, which are shown below, resulted from the award of the 2001 Series A Bonds.

CUSIP	Year (July 1)	Principal Amount	Interest Rate	Initial Call	
				Date	Price
977109 AU1	2007	\$ 15,000,000	5.00%	7/1/2006	100%
977109 AV9	2008	15,000,000	5.00	7/1/2006	100%

Purchase Price: \$31,202,250.00

November 27, 2001

Note: The State has been advised by the Underwriter that it has received a Commitment for Municipal Bond Insurance from Financial Guaranty Insurance Company (FGIC) for the 2001 Series A Bonds. Further information on this Commitment and the Municipal Bond New Issue Insurance Policy can be obtained from the Underwriter and FGIC.

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This document is the “official” statement—that is, it contains the only authorized information about the offering of the 2001 Series A Bonds. This document is not an offer or solicitation for the 2001 Series A Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the 2001 Series A Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State’s permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriter is not the author of this document. In accordance with their 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.

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

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the 2001 Series A Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the 2001 Series A Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2001 SERIES A BONDS

BUILDING COMMISSION MEMBERS

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

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 6, 2003
Mr. James E. Doyle State Attorney General	January 6, 2003
Mr. Philip J. Albert, Acting Secretary Department of Commerce	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
capfin@doa.state.wi.us

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frank.hoadley@doa.state.wi.us

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Assistant Capital Finance Director
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larry.dallia@doa.state.wi.us

Mr. Michael D. Wolff
Finance Programs Administrator
(608) 267-2734
michael.wolff@doa.state.wi.us

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Capital Finance Officer
(608) 267-0374
david.erdman@doa.state.wi.us

SUMMARY DESCRIPTION OF THE 2001 SERIES A BONDS

*Selected information is presented on this page for the convenience of the reader. To make an informed decision regarding the 2001 Series A Bonds, a prospective investor should read the entire Official Statement. Certain capitalized terms are defined in **APPENDIX B**.*

Description:	State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A
Principal Amount:	\$30,000,000
Maturities:	July 1, 2007-2008
Denominations:	\$5,000 or multiples
Dated Date:	Date of delivery
Interest Payment:	January 1 and July 1, commencing July 1, 2002.
Record Date:	June 15 and December 15
Optional Redemption:	2001 Series A Bonds are subject to optional redemption at par on or after July 1, 2006—See “2001 SERIES A BONDS; Redemption Provisions” .
Book-Entry System:	The Depository Trust Company will serve as the Securities Depository—See “OTHER INFORMATION; Book-Entry System” .
Paying Agent:	All payments of principal and interest on the 2001 Series A Bonds will be paid by The Bank of New York.
Purpose:	The 2001 Series A Bonds are being issued primarily to pay remediation costs under the PECFA Program—See “2001 SERIES A BONDS; Sources and Uses of Funds” and “PECFA PROGRAM” .
Source of Payment:	The 2001 Series A Bonds are payable from, and secured by, Petroleum Inspection Fees, which are paid by suppliers on all petroleum products received for sale in the State of Wisconsin—See “SECURITY FOR THE 2001 SERIES A BONDS; General” and “Petroleum Inspection Fees” .
Senior Bonds:	The 2001 Series A Bonds are Senior Bonds issued pursuant to the Program Resolution and on a parity with Outstanding Senior Bonds. Additional Senior Bonds, which may include Variable Rate Bonds and Bond Anticipation Notes, may be issued on parity with the 2001 Series A Bonds, subject to statutory limitations and upon meeting certain conditions, including an additional bonds test—See “SECURITY FOR THE 2001 SERIES A BONDS; Additional Senior Bonds” .
Bond Insurance	The State has been advised by the Underwriter that it has received a Commitment for Municipal Bond Insurance from Financial Guaranty Insurance Company (FGIC) for the 2001 Series A Bonds. Further information on this Commitment and the Municipal Bond New Issue Insurance Policy can be obtained from the Underwriter and FGIC
Tax Exemption:	<i>Federal Income Tax</i> —Interest is excluded from gross income and not an item of tax preference. <i>State of Wisconsin</i> —Interest is subject to State income and franchise taxes.
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner—See APPENDIX E .

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OFFICIAL STATEMENT
\$30,000,000
STATE OF WISCONSIN
PETROLEUM INSPECTION FEE REVENUE BONDS, 2001 SERIES A

INTRODUCTION

This Official Statement sets forth information about the \$30,000,000 Petroleum Inspection Fee Revenue Bonds, 2001 Series A (**2001 Series A Bonds**) issued by the State of Wisconsin (**State**). This Official Statement includes by reference [Parts I and II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 \(2000 Annual Report\)](#), which provides general information about the State. Capitalized terms not otherwise defined in this Official Statement are defined in [APPENDIX B](#).

The 2001 Series A Bonds are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes and Section 101.143(9m) of the Wisconsin Statutes. The 2001 Series A Bonds are authorized pursuant to an Amended and Restated Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations (**Program Resolution**) adopted by the State of Wisconsin Building Commission (**Building Commission**) on May 2, 2000, and a Supplemental Resolution Authorizing Not to Exceed \$94,250,000 State of Wisconsin Petroleum Inspection Fee Revenue Obligations (**2001 Supplemental Resolution**) adopted by the Building Commission on September 19, 2001.

In connection with the issuance and sale of the 2001 Series A Bonds, the Building Commission has authorized the State Department of Administration (**DOA**) to prepare this Official Statement. This Official Statement contains brief descriptions of the PECFA Program, the security for the 2001 Series A Bonds, and the terms of the 2001 Series A Bonds. It also contains certain other matters furnished by the State or obtained from the sources indicated.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 18th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State and its financial condition is included as [APPENDIX A](#), which includes by reference Part II of the 2000 Annual Report.

Requests for additional information about the State, the Petroleum Inspection Fees, or the PECFA Program, or requests for copies of the Program Resolution or any document or statute referred to in this Official Statement, may be directed to:

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

2001 SERIES A BONDS

General

The **cover of this Official Statement** sets forth the maturity dates, principal amounts, and interest rates for the 2001 Series A Bonds.

The 2001 Series A Bonds will be dated the date of their delivery and will bear interest from that date, payable on January 1 and July 1 of each year, beginning on July 1, 2002.

Interest on the 2001 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Principal and interest on each 2001 Series A Bond will be payable to the registered owner, which initially will be a nominee of The Depository Trust Company, New York, New York (**DTC**).

The 2001 Series A Bonds are authorized for issuance in denominations of \$5,000 or any multiples thereof.

The Bank of New York is the trustee for the 2001 Series A Bonds and all other Bonds (**Trustee**). In addition, the Trustee is the registrar (**Registrar**) and paying agent (**Paying Agent**) for the 2001 Series A Bonds and all other Bonds. Inquiries to the Trustee may be directed to:

Contact: The Bank of New York
Address: c/o BNY Trust Company of Missouri
911 Washington Avenue
St. Louis, MO 63101
Phone: (314) 613-8256
Telefax: (314) 613-8227
E-mail: bbrown@bankofny.com

Redemption Provisions

Optional Redemption

The 2001 Series A Bonds are subject to optional redemption, prior to their maturity, from any source on July 1, 2006 or on any date thereafter, in whole or in part, in multiples of \$5,000, at par (100%) plus accrued interest to the date of redemption. This redemption is at the option of the Building Commission, and the Building Commission will direct the amount and maturities of the 2001 Series A Bonds to be redeemed.

Selection of 2001 Series A Bonds to be Redeemed

So long as a book-entry system is being used, if less than all of the 2001 Series A Bonds of a particular maturity are to be redeemed, selection of the Beneficial Owners of the 2001 Series A Bonds affected thereby will be made solely by DTC and the participants in accordance with their then-prevailing rules and procedures. If the book-entry system is discontinued and less than all of the 2001 Series A Bonds of a particular maturity are to be redeemed, selection shall be by lot or such other manner as the Trustee shall deem fair and appropriate.

Notice of Redemption

Notice of redemption of 2001 Series A Bonds or any portion thereof will be given by the Trustee by mailing a copy of such redemption notice by registered or first class mail, postage prepaid, not more than 60 nor less than 30 days prior to the date fixed for redemption to each owner of the 2001 Series A Bonds to be redeemed, at the address appearing on the registration books of the

State held by the Trustee. So long as the book-entry system is in effect, such notice shall be sent to the Securities Depository. A notice of redemption may be revoked by sending notice not less than 15 days prior to the proposed date of redemption. Neither failure to give notice or any defect in the notice will affect the validity of any proceedings for redemption of the 2001 Series A Bonds not affected by such failure or defect.

Registration and Payment of 2001 Series A Bonds

So long as the book-entry system is in effect, payment of the principal of and interest on the 2001 Series A Bonds will be made by wire transfer to DTC in immediately available funds.

If the book-entry system is discontinued, principal of the 2001 Series A Bonds will be paid, upon the presentation and surrender of the 2001 Series A Bonds at the principal office of the Trustee, and interest on the 2001 Series A Bonds will be paid by check or draft mailed to the registered owner shown in the registration books at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date (**Record Date**).

If the book-entry system is discontinued, each 2001 Series A Bond will be transferable, only upon the books of the State kept for that purpose at the principal office of the Trustee, upon surrender of the 2001 Series A Bond and a written instrument of transfer satisfactory to the Trustee and payment of a charge sufficient to reimburse the State or the Trustee for any tax, fee, or governmental charge required to be paid in connection with such registration. The Trustee will not be obliged to make any transfer of the 2001 Series A Bonds during the 15 days preceding the date of sending notice of any proposed redemption or, with respect to any particular 2001 Series A Bond, after such 2001 Series A Bond has been called for redemption.

Underlying Ratings

The underlying ratings for the 2001 Series A Bonds and the Outstanding Senior Bonds are:

Underlying Rating	Rating Agency
AA-	Fitch
Aa3	Moody’s Investors Service, Inc.
AA-	Standard & Poor’s Ratings Services

Any explanation of the significance of a rating may only be obtained from the rating service furnishing that rating. There is no assurance that a rating will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the rating service if in its judgment circumstances so warrant. Any such downgrade or withdrawal of such rating may have an adverse effect on the market price of the 2001 Series A Bonds and the other Outstanding Senior Bonds.

Sources and Uses of Funds

The 2001 Series A Bonds are being issued primarily to pay remediation costs under the PECFA Program and to pay for costs of issuance. Proceeds of the 2001 Series A Bonds will be invested by the Trustee in Permitted Investments until so used. The proceeds of the 2001 Series A Bonds will be applied to purposes that do not generate revenues, and the application will not create a source for the payment of the 2001 Series A Bonds. It is anticipated that the proceeds of the 2001 Series A Bonds will be applied as follows:

Sources

Principal Amount of 2001 Series A Bonds	\$ 30,000,000
Net Original Issue Premium	1,423,050
Total Sources.....	<u>\$ 31,423,050</u>

Uses

Deposit to Proceeds Fund–Claims Account.....	\$ 29,935,000
Deposit to Proceeds Fund–Issuance and Administrative Account.....	65,000
Deposit to Redemption Fund.....	1,202,250
Underwriter’s Discount.....	220,800
Total Uses.....	<u>\$ 31,423,050</u>

PECFA PROGRAM

Proceeds of the 2001 Series A Bonds will primarily be used to pay approved remediation costs under the PECFA Program, which is a petroleum storage remediation program. In existence since 1987, the PECFA Program reimburses owners of petroleum storage tanks for 75% to 99% of cleanup costs related to soil and groundwater contamination. Further information on the PECFA Program can be obtained at the address provided on [page 1 of this Official Statement](#).

PLAN OF FINANCE

The 2001 Series A Bonds are being issued pursuant to the Program Resolution, which established a revenue bond program in March, 2000 to be used by the State for paying remediation costs under the PECFA Program.

Prior to the issuance of revenue obligations, remediation payments approved under the PECFA Program were paid with Petroleum Inspection Fees, which were not sufficient at that time to pay all approved remediation payments. When the first revenue obligations were issued in March, 2000, the backlog of approved but unpaid claims was about \$200 million, up from a backlog of \$44 million that existed in June, 1997.

The State has previously issued \$170,250,000 Petroleum Inspection Fee Revenue Bonds, 2000 Series A (**2000 Series A Bonds**) and Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper (**Notes**) in the principal amount \$80,000,000. As of the date of this Official Statement all of the proceeds of the previously issued revenue obligations have been expended to pay remediation costs under the PECFA Program. All approved and submitted claims may include loan interest costs, which are eligible for reimbursement. The issuance of revenue obligations provides economic savings to the State, since the debt service costs on these obligations are expected to be less than the interest costs that accrue on the unpaid claims.

The State may pay future remediation payments under the PECFA Program with Petroleum Inspection Fees that are in excess of the amounts required to be held by the Trustee under the provisions of the Program Resolution and any Supplemental Resolution. If the available Petroleum Inspection Fees are not sufficient to make all payments in a timely manner, the State may issue additional Bonds. On November 1, 2001, approximately \$27 million of remediation costs under the PECFA Program have been approved but not paid. In addition, approximately \$12 million of costs have been submitted and are in the process of being reviewed for approval.

The Wisconsin Legislature has authorized the issuance of up to \$342 million of revenue obligations for the purposes of paying remediation costs under the PECFA program. After the

issuance of the 2001 Series A bonds there will be approximately \$62 million of authority remaining.

SECURITY FOR THE 2001 SERIES A BONDS

General

The 2001 Series A Bonds are designated as Senior Bonds. The term **Senior Bonds** also includes certain previously issued Bonds (namely, the 2000 Series A Bonds and interest payments on the \$80,000,000 of Notes) and any additional parity Bonds that may be issued in the future. Certain other obligations, such as swap payments, may be incurred on a parity with Senior Bonds. The State has previously issued Bonds that are subordinate to the Senior Bonds (namely, principal payments on Notes) and may do so in the future. The term **Bonds** refers to revenue obligations, without regard to seniority, that are issued under the Program Resolution and payable in whole or in part from the Petroleum Inspection Fees.

The Senior Bonds are payable solely from the Redemption Fund created by the Program Resolution for the Senior Bonds and secured by:

- Pledge of the Petroleum Inspection Fees
- Funds and accounts created by the Program Resolution

The Senior Bonds are revenue obligations of the State payable solely from the Redemption Fund. The State is not generally liable for the Bonds, and the Bonds shall not be a public debt of the State for any purpose whatsoever.

The State makes no representations as to the amount or timing of future claims to be submitted or approved for payment. In the event the available Petroleum Inspection Fees are not sufficient to make all payments in a timely manner, the State may issue additional Bonds up to the amount of remaining legislative authorization. These additional Bonds may be any of the following:

- Additional Senior Bonds, which may be in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes, as provided under the Program Resolution. See “**SECURITY FOR THE 2001 SERIES A BONDS; Additional Senior Bonds**” and “**SECURITY FOR THE 2001 SERIES A BONDS; Variable Rate Take-Out Capacity Test**”.
- Bonds that are, all or in part, subordinate to the Senior Bonds.

APPENDIX D includes the auditor’s report and financial statement for this revenue bond program as of June 30, 2001. This is information that was not available as of the date of the Preliminary Official Statement, which included comparable information for the prior fiscal year.

Petroleum Inspection Fees

Petroleum Inspection Fees are paid by suppliers on all petroleum products distributed in the State. The current rate of the Petroleum Inspection Fee is \$0.03 per gallon. The petroleum products include:

- Gasoline products, which include gasoline and gasoline-alcohol fuel blends
- Oil products, which include fuel oil, burner oil, diesel fuel oil, kerosene, and other refined oils

Natural gas and liquefied propane are not subject to the Petroleum Inspection Fee.

Collection and Deposit of Petroleum Inspection Fees.

The Petroleum Inspection Fees and other motor fuel taxes paid by suppliers are received by the State Department of Revenue by the 15th of each month, or the next business day if the 15th falls on a weekend or holiday. This is a combined payment for both Petroleum Inspection Fees and motor fuel taxes due from the suppliers for activity during the previous month. At the time the fees are remitted, there is no separation of the Petroleum Inspection Fees and other motor fuel taxes. The allocation is not known until the tax returns evidencing the payments are processed, usually within 30 to 35 days after receipt of the fees and taxes.

As an example, by about November 15 suppliers submit the amount of fees and taxes due for petroleum products shipped in the month of October. By the end of November, suppliers submit tax returns delineating the payments previously made. By about December 20, the State Department of Revenue processes the tax returns.

Due to the 30 to 35 day period between receipt of the combined fees and taxes and tabulation of the returns reporting such fees, the State Department of Revenue will transfer to the Trustee on the Revenue Payment Date an estimated portion of the current month's collection, adjusted upward or downward to reflect the tabulations from the previous month's returns. Currently, the monthly transfer, before adjustment, is \$8.8 million. The amount of this monthly transfer may be changed from time to time to reflect actual collection experience.

The State Department of Revenue has available to it the same enforcement powers relating to the collection of Petroleum Inspection Fees as it has for the collection of motor vehicle fuel taxes, including the ability to revoke suppliers' licenses, impose penalties, assess interest on late payments, and enforce criminal penalties for the failure to report or pay Petroleum Inspection Fees. Wisconsin Statutes establish the State as a preferred creditor and the fees as preferred claims in any state court action.

History of Petroleum Inspection Fees

Table 1 provides the number of gallons of petroleum products that have been inspected and were subject to the Petroleum Inspection Fee for the last ten fiscal years. **Table 2** provides the number of gallons of gasoline and oil products that have been inspected since fiscal year 1995.

Table 1
Total Gallons of Petroleum Products Inspected and Charged Petroleum Inspection Fee
1992 to 2001
(Actual Basis)

<u>Fiscal Year</u>	<u>Total Gallons Inspected</u>	<u>% Increase (Decrease) From Previous Year</u>
1992	3,213,011,750	1.02%
1993	3,261,833,100	1.52
1994	3,393,473,050	4.04
1995	3,376,822,650	(0.49)
1996	3,486,947,828	3.26
1997	3,466,068,221	(0.60)
1998	3,563,817,293	2.82
1999	3,673,141,195	3.07
2000	3,728,554,474	1.51
2001	3,741,511,600	0.35

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

Table 2
Gallons Inspected Per Petroleum Product and
Charged Petroleum Inspection Fee
1995 to 2001
(Actual Basis)

<u>Fiscal Year</u>	<u>Total Gallons of Gasoline Products</u>		<u>Total Gallons of Oil Products</u>	
	<u>Inspected</u>	<u>% Increase (Decrease) From Previous Year</u>	<u>Inspected</u>	<u>% Increase (Decrease) From Previous Year</u>
1995	2,293,592,150	0.27%	1,083,230,500	(2.07)
1996	2,342,177,191	2.12	1,144,770,637	5.68
1997	2,337,339,029	(0.21)	1,128,729,192	(1.40)
1998	2,424,076,532	3.71	1,139,740,761	0.98
1999	2,485,279,200	2.52	1,187,861,995	4.22
2000	2,561,717,395	3.08	1,166,837,079	(1.77)
2001	2,523,698,301	(1.48)	1,217,813,299	4.37

Source: Wisconsin Department of Commerce and Legislative Fiscal Bureau.

The total amount of Petroleum Inspection Fees collected since fiscal year 1995 is summarized in Table 3. The annual percentage change in the amount of collected Petroleum Inspection Fees in Table 3 may not correlate to the annual percentage change in the number of gallons inspected in Table 1. This is due to many reasons, including the following:

- (1) the collected Petroleum Inspection Fees are reported on an accrual basis through fiscal year 1999 (and on cash basis thereafter), while the amount of inspected gallons is reported on an actual basis, and
- (2) adjustments are made to and refunds provided from the collected Petroleum Inspection Fees.

Table 3
Total Petroleum Inspection Fees
1995 to 2001
(Amounts in Millions; Accrual Basis through 1999 and Cash Basis in 2000-01)

<u>Fiscal Year</u> <u>(June 30)</u>	<u>Total</u>	<u>% Increase (Decrease) From Previous Year</u>
1995	\$101.2	3.83%
1996	104.9	3.66
1997	105.8	0.84
1998	103.8	(1.81)
1999	110.7	6.65
2000	111.6	0.74
2001	114.3	2.46

Source: Wisconsin Comprehensive Annual Financial Reports, 1995-1999, Wisconsin Legislative Audit Bureau.

Table 4 provides the maximum, average, and minimum monthly amount of collected Petroleum Inspection Fees since fiscal year 1995. The maximum, average, and minimum monthly amounts in Table 4 may not correlate to the annual amount of collected Petroleum Inspection Fees in Table 3. This is due to the annual amounts having been reported on both an accrual and cash basis, while the minimum, average, and maximum amounts are reported on a cash basis.

Table 4
Maximum, Average, and Minimum Monthly Collection
Petroleum Inspection Fees
1995 to 2001
(Amounts in Millions; Cash Basis)

Fiscal Year (June 30)	Maximum Monthly Amount	Average Monthly Amount	Minimum Monthly Amount
1995	\$10.0	\$8.4	\$6.5
1996	11.3	9.1	7.4
1997	9.4	8.7	7.8
1998	9.8	8.9	7.5
1999	10.5	9.2	7.5
2000 ^(a)	13.0	9.2	3.1
2001	11.0	9.5	8.2

^(a) The Department of Revenue has indicated that the maximum and minimum collection amounts for fiscal year ending June 30, 2000 reflect problems with a data reporting system that have been subsequently corrected.

Source: Wisconsin Legislative Audit Bureau, Wisconsin Department of Commerce and Wisconsin Department of Revenue

Diminished usage of petroleum products will reduce the amount of collected Petroleum Inspection Fees. Diminished usage might occur, for example, due to reduced production of oil, higher prices for petroleum products, usage of alternate fuels, or reduced need for fuels.

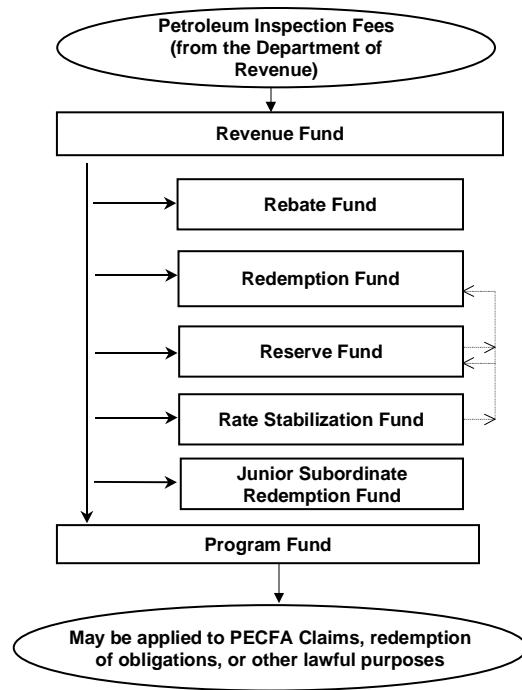
Funds and Accounts

In accordance with the Program Resolution, Petroleum Inspection Fees received by the Trustee on each Revenue Payment Date in the Revenue Fund are applied, through deposits in the Funds and Accounts, in the following order:

- To pay arbitrage rebate, if any, due on any Outstanding Bonds
- To pay interest on all Outstanding Senior Bonds and other parity obligations
- To pay the principal and redemption price, if any, of all Outstanding Senior Bonds, and other parity obligations, as the same become due
- To maintain the Debt Service Reserve Requirement, if any, in the Reserve Fund
- To make any deposits, at the State’s discretion, into the Rate Stabilization Fund
- To make deposits, at the State’s discretion or if required, into the Junior Subordinate Redemption Fund
- To pay any expenses payable from the Program Fund

The chart on the next page depicts the flow of various funds with respect to the Bonds.

The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. No Subordinate Bonds have been issued.



The pledge of the Petroleum Inspection Fees remains effective until all Bonds issued under the Program Resolution are fully paid in accordance with their terms. All Petroleum Inspection Fees deposited with the Trustee on each Revenue Payment Date in excess of the amounts required above are transferred at the direction of and to the State for deposit in the Petroleum Inspection Fund and become free of the pledge.

Deposits into Interest Account of Redemption Fund

The payment of interest on Notes is on parity with the Senior Bonds. The interest on fixed rate Senior Bonds is a known amount. However, since Notes are variable rate obligations, the exact amount of interest due on Notes is not known before the deposit is required to be made into the Redemption Fund. As a result, the Trustee makes periodic deposits to the Interest Account of the Redemption Fund, as directed by the State or as outlined in the supplemental resolution authorizing Notes, in amounts estimated to be sufficient to provide for the payment of interest on the Outstanding Notes. The Trustee is further directed to transfer such amounts to the Interest Subaccount created for the Notes.

Non-Impairment Clause

The State pledges and agrees with the holders of the Bonds that the State will not take any action that would limit or alter the ability of the State to fulfill the terms of its agreements (made in the Program Resolution or in the Bonds) with the holders of Bonds, nor impair the rights and remedies of the holders of the Bonds, while the Bonds are Outstanding.

In the Wisconsin Statutes, the Legislature recognizes its moral obligation that, if the Legislature were to reduce the rate of the Petroleum Inspection Fee and if the Petroleum Inspection Fees were insufficient to pay debt service on the Bonds when due, the Legislature shall make an appropriation from the general fund sufficient to pay such debt service. In the opinion of Bond Counsel, this is not a legally enforceable obligation.

Additional Senior Bonds

Additional Senior Bonds, which may be in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes, may be issued under the Program Resolution if the additional

bonds test is met. When applicable, the additional bonds test requires that the Debt Service Coverage Ratio be not less than 2.0. The Debt Service Coverage Ratio is Projected Annual Revenues divided by the Maximum Annual Debt Service. See **APPENDIX C** for a complete description of the additional bonds test and a definition of the terms used in this test.

Refunding of Bond Anticipation Notes by Senior Bonds

The additional bonds test must be met prior to the initial issuance of Bond Anticipation Notes, *but compliance with the additional bonds test is not required with respect to the issuance of Senior Bonds to refund Bond Anticipation Notes (such as the Notes)*. In calculating the additional bonds test for Bond Anticipation Notes, it is assumed that the entire amount of Bond Anticipation Notes authorized in a supplemental resolution are issued. If Senior Bonds are issued to refund the Bond Anticipation Notes, under certain circumstances (including among others a decline in Petroleum Inspection Fees or an increase in interest rates), the Projected Annual Revenues at that time may be less than 2.0 times Maximum Annual Debt Service. However, as long as Bond Anticipation Notes are Outstanding, the State is required to perform monthly a Variable Rate Take-Out Capacity Test. See “**SECURITY FOR THE NOTES; Variable Rate Take-Out Capacity Test**”.

Variable Rate Take-Out Capacity Test

Whenever Variable Rate Debt is Outstanding under the Program Resolution, the State will, by the 15th day of each month, provide the Trustee with the results of a Variable Rate Take-Out Capacity Test. See **APPENDIX C** for a complete summary of the Variable Rate Take-Out Capacity Test and a definition of the terms used in this test.

Using present value calculations, the test estimates the maximum amount of Variable Rate Debt that, if Outstanding, could be refunded by Senior Bonds while maintaining a Debt Service Coverage Ratio of 2.0. This test then compares the Variable Rate Take-Out Capacity with the Variable Rate Debt Exposure. For purposes of this test, any Senior Bonds that may be issued to refund Variable Rate Debt are assumed to be repaid within 20 years from the date the Variable Rate Take-Out Capacity Test is completed and to bear interest at a rate of The Bond Buyer Revenue Bond Index plus 3%.

Meeting the Variable Rate Take-Out Capacity Test is not a condition to issuing any Bonds.

As of the date of this Official Statement, Variable Rate Debt is Outstanding. The State is currently required to complete the Variable Rate Take-Out Capacity Test. The results of the test for November 15, 2001 show a Variable Rate Take-Out Capacity of \$403,923,129, which is in excess of the Variable Rate Debt Exposure of \$80,000,000.

If the monthly Variable Rate Take-Out Capacity Test shows that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Debt Exposure, the State is only required to provide the Trustee with the results of the test. However, if the monthly test shows that the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, then the State is deemed to have failed the Variable Rate Takeout Capacity Test and is required under the Program Resolution to take the following actions:

- Immediately notify the Trustee and each Rating Agency.
- Submit to the Trustee and each Rating Agency, within 45 days after the test date, a plan to cause the Variable Rate Take-Out Capacity to equal or exceed the Variable Rate Debt Exposure within 90 days following the test date.

If at any subsequent time the State is able to demonstrate that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Exposure, the above requirements arising from the failure of a previous Variable Rate Take-Out Capacity Test no longer apply.

Failure to meet the Variable Rate Take-Out Capacity Test or failure to implement a submitted plan are not Events of Default under the Program Resolution. Accordingly, the Trustee has no enforcement power with respect to such occurrences. Failure to submit the completed test or any required plan to the Trustee does not constitute an Event of Default; however, if the failure is not corrected within 30 days of any notice from the Trustee, it then constitutes an Event of Default under the Program Resolution.

Reserve Fund

The Program Resolution creates a Reserve Fund, which is available if there is any deficiency in the Redemption Fund and is used solely for the payment when due of principal of and interest on the Senior Bonds and other parity obligations. The Reserve Fund Requirement is an amount equal to the greatest amount established by a supplemental resolution. No Reserve Fund Requirement has been established in the Supplemental Resolutions authorizing the previously issued revenue obligations and the 2001 Series A Bonds, and there is no money in the Reserve Fund.

Rate Stabilization Fund

The Program Resolution creates a Rate Stabilization Fund to which the State may direct that deposits be made from time to time. The deposits made to the Rate Stabilization Fund are solely at the State's discretion and direction, and amounts in the Rate Stabilization Fund may be withdrawn at any time by the State. Amounts withdrawn from the Rate Stabilization Fund at the State's discretion must first be deposited in the Redemption Fund. If there is a deficiency in the Redemption Fund for payment when due of principal of and interest on the Senior Bonds, the Trustee will first use moneys in the Rate Stabilization Fund before any Reserve Fund moneys for the payment of any principal and interest on the Senior Bonds and Other Obligations on a parity with the Senior Bonds. There is no money currently in the Rate Stabilization Fund.

Program Resolution

APPENDIX C includes additional information about certain provisions of the Program Resolution, including a summary of the Funds and Accounts.

Debt Service on Outstanding Senior Bonds

The following provides the annual debt service amounts, upon issuance of the 2001 Series A Bonds, for all Outstanding Senior Bonds.

Debt Service on Outstanding Senior Bonds (Including 2001 Series A Bonds)

Year (July 1)	Prior Senior Bond Debt Service Amount			2001 Series A Bonds Debt Service			Total Annual Debt Service-Senior Bonds ^(a)
	Principal	Interest ^(a)	Annual Debt Service	Principal	Interest	Annual Debt Service	
2002	\$ 11,440,000	\$ 12,400,240	\$ 23,840,240		\$ 804,167	\$ 804,167	\$ 24,644,407
2003	12,070,000	11,771,040	23,841,040		1,500,000	1,500,000	25,341,040
2004	12,735,000	11,107,190	23,842,190		1,500,000	1,500,000	25,342,190
2005	13,495,000	10,343,090	23,838,090		1,500,000	1,500,000	25,338,090
2006	14,305,000	9,533,390	23,838,390		1,500,000	1,500,000	25,338,390
2007	15,115,000	8,726,378	23,841,378	\$ 15,000,000	1,500,000	16,500,000	40,341,378
2008	15,980,000	7,857,265	23,837,265	15,000,000	750,000	15,750,000	39,587,265
2009	16,885,000	6,952,415	23,837,415				23,837,415
2010	17,800,000	6,040,625	23,840,625				23,840,625
2011	18,790,000	5,047,125	23,837,125				23,837,125
2012	19,885,000	3,953,675	23,838,675				23,838,675
Totals	\$ 168,500,000	\$ 93,732,433	\$ 262,232,433	\$ 30,000,000	\$ 9,054,167	\$ 39,054,167	\$ 301,286,599

^(a) Includes interest payments on the \$80,000,000 of Outstanding Notes, which are on parity with the Senior Bonds, calculated at an assumed rate of 3.50%. Assumes that all \$80,000,000 of Notes will remain Outstanding until July 1, 2012

OTHER INFORMATION

Underwriting

The 2001 Series A Bonds were purchased through competitive bidding on November 27, 2001 by UBS PaineWebber Inc. (**Underwriter**). The Underwriter agreed to pay \$31,202,250.00, and its bid resulted in a true interest cost rate to the State of 4.239577%.

Reference Information About the 2001 Series A Bonds

The table below—as well as the table on the front cover—includes information about the 2001 Series A Bonds and is provided for reference. The CUSIP numbers have been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriter has provided the reoffering yields and prices to allow the computation of yield for federal tax law compliance. The price at issuance is the lower of the price to maturity or the price to call.

\$30,000,000

State of Wisconsin

Petroleum Inspection Fee Revenue Bonds, 2001 Series A

Dated Date: Date of Delivery

First Interest Date: July 1, 2002

Delivery Date: On or about December 18, 2001

CUSIP	Year (July 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Call Date	Call Price
977109 AU1	2007	\$ 15,000,000	5.00%	3.74%	105.210% ^(a)	7/1/2006	100%
977109 AV9	2008	15,000,000	5.00	3.96	104.277 ^(a)	7/1/2006	100%

^(a) These bonds are priced to the July 1, 2006 call date.

Note: The State has been advised by the Underwriter that it has received a Commitment for Municipal Bond Insurance from Financial Guaranty Insurance Company (FGIC) for the 2001 Series A Bonds. Further information on this Commitment and the Municipal Bond New Issue Insurance Policy can be obtained from the Underwriter and FGIC.

Book-Entry System

DTC will act as Securities Depository for the 2001 Series A Bonds. The 2001 Series A Bonds will be issued as fully registered securities, registered in the name of Cede & Co. (DTC's

partnership nominee). One fully registered 2001 Series A Bond will be issued in the principal amount for each maturity set forth on the front cover and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the same law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). The rules applicable to DTC and its Direct and Indirect Participants—that is, **Participants**—are on file with the Securities and Exchange Commission.

Purchases of the 2001 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Series A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2001 Series A Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants’ records. A Beneficial Owner will not receive a written confirmation from DTC of a purchase, but a Beneficial Owner is expected to receive a written confirmation providing details of the transaction, as well as periodic statements of holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001 Series A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Series A Bonds, except in the event that use of the book-entry system for the 2001 Series A Bonds is discontinued.

To make the system work more smoothly, all 2001 Series A Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. This doesn’t affect the beneficial ownership of any Bond. DTC has no idea who the Beneficial Owners of the 2001 Series A Bonds are; its records show only the identity of the Direct Participants to whose accounts the 2001 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as Cede & Co. is the registered owner of the 2001 Series A Bonds as nominee for DTC, references to the 2001 Series A Bond owners means Cede & Co. and not the Beneficial Owners.

Notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any legal requirements.

The State will send redemption notices to Cede & Co. If less than all of the 2001 Series A Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2001 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants.

The Trustee will make principal and interest payments on the 2001 Series A Bonds to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of the Participant and not of the State, the Trustee, or DTC, subject to any legal requirements. The Trustee is responsible for sending payments to DTC. DTC is responsible for disbursing those payments to Direct Participants. Both Direct and Indirect Participants are responsible for disbursing those payments to the Beneficial Owners.

DTC may discontinue providing its services as Securities Depository with respect to the 2001 Series A Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor Securities Depository is not obtained, bond certificates are required to be printed and delivered at the State's expense.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). If that happens, bond certificates will be printed and delivered at the State's expense.

The information in this section about DTC and DTC's book-entry system has been obtained from DTC; the State takes no responsibility for its accuracy.

No one can give any assurance that DTC, Direct Participants, or Indirect Participants will promptly transfer payments or notices received with respect to the 2001 Series A Bonds. The State and the Trustee are not responsible for the failure of DTC, Direct Participants, or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the 2001 Series A Bonds.

Similarly, no one can give any assurance that DTC will abide by its procedures or that its procedures will not be changed. In the event that the State designates a successor Securities Depository, the successor may establish different procedures.

Legal Investment

State law provides that the 2001 Series A Bonds are legal investments for:

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

Legal Opinion

Legal matters incident to the authorization, issuance and sale of the 2001 Series A Bonds are subject to the approval of Foley & Lardner (**Bond Counsel**). Bond Counsel will deliver an approving opinion with delivery of the 2001 Series A Bonds, in substantially the form shown in

APPENDIX E. In the event certificated 2001 Series A Bonds are issued, the opinion will be printed on the reverse side of each 2001 Series A Bond.

As required by law, the Attorney General will examine a certified copy of all proceedings leading to issuance of the 2001 Series A Bonds. The Attorney General will deliver an opinion on the regularity and validity of the proceedings. In the event certificated 2001 Series A Bonds are issued, a certificate of the Attorney General will be printed on the reverse side of each 2001 Series A Bond.

Tax Exemption

In the opinion of Bond Counsel, under existing law, the interest on the 2001 Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. It should be noted, however, that with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended (**Code**), and other federal tax legislation that must be satisfied subsequent to the issuance of the 2001 Series A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent it may lawfully do so. Failure to comply with certain of such requirements may cause interest on the 2001 Series A Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2001 Series A Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2001 Series A Bonds. The proceedings authorizing the 2001 Series A Bonds do not provide for an increase in interest rates or a redemption of the 2001 Series A Bonds in the event of taxability.

The 2001 Series A Bonds have prices at issuance greater than par (100%) (**Premium 2001 Series A Bonds**). Any Premium 2001 Series A Bond purchased in the initial offering at the issue price will have “amortizable bond premium” within the meaning of Section 171 of the Code. An owner of a Premium 2001 Series A Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in such Premium 2001 Series A Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned such Premium 2001 Series A Bond. The adjusted tax basis in a Premium 2001 Series A Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Premium 2001 Series A Bond.

Owners of Premium 2001 Series A Bonds who did not purchase such Premium 2001 Series A Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium 2001 Series A Bonds.

The Code contains numerous provisions that could affect the economic value of the 2001 Series A Bonds to particular 2001 Series A Bond owners. The following are some examples:

- Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the 2001 Series A Bonds or, in the case of financial institutions, a portion of an owner’s interest expense allocable to interest on the 2001 Series A Bonds.

- Property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the 2001 Series A Bonds, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest.
- Interest on the 2001 Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- Passive investment income, including interest on the 2001 Series A Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if passive investment income is greater than 25% of the gross receipts of the S corporation.
- Section 86 of the Code may require certain recipients of social security and railroad retirement benefits to include a portion of such benefits in gross income by reason of receipt or accrual of interest on the 2001 Series A Bonds.

This section does not present an exhaustive discussion of collateral tax consequences arising from ownership of the 2001 Series A Bonds. There may be other provisions of the Code that could adversely affect the value of an investment in the 2001 Series A Bonds for particular owners of 2001 Series A Bonds. Investors should consult their own tax advisors with respect to the tax consequences of owning a 2001 Series A Bond.

Interest on the 2001 Series A Bonds is subject to State of Wisconsin income and franchise taxes. Investors should consult their own tax advisors with respect to the state and local tax consequences of owning a 2001 Series A Bond.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the 2001 Series A Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By approximately December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**). The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. As of the date of this Official Statement, no SID has been established. [Part I of the 2000 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement.](#)

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

State of Wisconsin Capital Finance Office
 Department of Administration
 101 East Wilson Street, FLR 10
 P.O. Box 7864
 Madison, WI 53707-7864
 (608) 266-2305
capfin@doa.state.wi.us

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the NRMSIRS, or the MSRB, and to any SID. In

the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

Dated: November 27, 2001

STATE OF WISCONSIN

/s/ SCOTT MCCALLUM

Governor Scott McCallum, Chairperson
State of Wisconsin Building Commission

/s/ GEORGE LIGHTBOURN

George Lightbourn, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary
State of Wisconsin Building Commission

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APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). [Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 \(2000 Annual Report\)](#) is included by reference as part of this APPENDIX A.

[Part II to the 2000 Annual Report](#) contains general information about the State. More specifically, that part presents information on the following matters:

- State's operations and financial procedures
- State's accounting and financial reporting
- Organization of, and services provided by, the State
- Results of fiscal year 1999-2000
- State budget
- Obligations of the State
- State Investment Board
- Statistical information about the State's population, income, and employment

Included as [APPENDIX A to Part II of the 2000 Annual Report are the audited general purpose financial statements for the fiscal year ending June 30, 2000](#), prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

The 2000 Annual Report has been filed with each nationally recognized municipal securities information repository (NRMSIR). Copies of the 2000 Annual Report are available from the Capital Finance Office web site and may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

As of the date of this Official Statement, Part II of the 2000 Annual Report is available from the Capital Finance Office web site at the following address:

www.doa.state.wi.us/debf/capfin/2000dis2.pdf

After publication and filing of the 2000 Annual Report, certain changes or events have occurred that affect items discussed in the 2000 Annual Report. Listed below, by reference to particular sections of the 2000 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs. These informational notices do not constitute listed material events under the State's Master Agreement on Continuing Disclosure.

On August 28, 2001, Moody's Investors Service downgraded the rating on the State's general obligation bonds to Aa3 from Aa2.

On September 4, 2001, Fitch downgraded the rating on the State's general obligation bonds to AA from AA+.

State Budget (pages 25-28). Add the following:

Budget for 2000-01

The Annual Fiscal Report (Budgetary Basis) for the fiscal year ended June 30, 2001 was published on October 15, 2001. It reports the State ended the 2000-01 fiscal year on a statutory and unaudited basis with an unreserved, undesignated balance of \$208 million. The State did not issue any operating notes during the 2000-01 fiscal year.

The Annual Fiscal Report is not part of this document. A complete copy of the Annual Fiscal Report can be obtained from the State at the [address on page A-1](#).

The tables that appear below, and the updates to Tables II-4 and II-5 of the 2000 Annual Report, include a summary of the results for the 2000-01 fiscal year.

Budget for 2001-03

On August 30, 2001, the Governor signed into law in part, and vetoed in part, the budget for the 2001-02 and 2002-03 fiscal years. A two-thirds vote in each house is required to override any veto. A copy of the approved budget, which incorporates vetoes made by the Governor, along with the Governor's veto message can be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

The tables that appear below, and the updates to the detailed summaries of the all-funds budget on [page A-4](#) and general-fund budget on [page A-5](#) reflect the biennial budget, as enacted into law.

**General-Fund Basis
(Amounts in Millions)**

	<u>Actual 2000-01</u>	<u>Budget 2001-02</u>	<u>Budget 2002-03</u>
Beginning Balance	\$ 836	\$ 198	\$ 275
Tax Revenues	10,079	10,661	11,131
Tobacco Securitization Proceeds	n/a	450	n/a
Tobacco Settlement Payments	124	155	158
Nontax Revenues	<u>9,082</u>	<u>8,010</u>	<u>8,112</u>
Total Amount Available	\$20,121	\$19,474	\$19,676
Total Disbursements/Reserves	<u>\$19,904</u>	<u>\$19,199</u>	<u>\$19,636</u>
Estimated Gross Balance	\$ 217	\$ 275	\$ 40
Required Statutory Reserve	<u>n/a</u>	<u>138</u>	<u>143</u>
Net Balance	\$ 217	\$ 137	\$ (103) ^(a)

^(a) One of the Governor's vetoes prevented the shift of a school aid payment of \$115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the gross balance is positive.

**All-Funds Basis
(Amounts in Millions)**

	<u>Actual 2000-01</u>	<u>Budget 2001-02</u>	<u>Budget 2002-03</u>
Beginning Balance	\$ 836	\$ 198	\$ 275
Tax Revenues	11,089	10,661	11,131
Tobacco Securitization Proceeds	n/a	450	n/a
Tobacco Settlement Payments	124	155	158
Nontax Revenues	<u>11,054</u>	<u>19,898</u>	<u>20,038</u>
Total Amount Available	\$23,112	\$31,363	\$31,601
Total Disbursements/Reserves	<u>\$22,895</u>	<u>\$31,088</u>	<u>\$31,561</u>
Estimated Gross Balance	\$ 217	\$ 275	\$ 40
Required Statutory Reserve	<u>n/a</u>	<u>138</u>	<u>143</u>
Net Balance	\$ 217	\$ 137	\$ (103) ^(a)

^(a) One of the Governor's vetoes prevented the shift of a school aid payment of \$115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the gross balance is positive.

Table II-3; State Budget—All Funds (Page 36). Update the table with the following:

State Budget—All Funds^(a)

	Actual 2000-2001 ^(b)	Budget 2000-2001	Budget 2001-2002	Budget 2002-2003
RECEIPTS				
Fund Balance from Prior Year.....	\$ 835,714,000	\$ 658,784,800 ^(c)	\$ 197,829,200	\$ 275,402,200
Tax Revenue				
Individual Income.....	5,156,565,000	5,158,800,000	5,455,527,500	5,687,055,500
General Sales and Use.....	3,609,895,000	3,710,000,000	3,750,575,400	3,975,136,000
Corporate Franchise and Income.....	537,159,000	658,300,000	594,197,100	606,318,500
Public Utility.....	239,238,000	220,000,000	244,000,000	249,977,500
Excise				
Cigarette/Tobacco Products.....	254,867,000	255,200,000	314,900,000 ^(d)	322,850,000 ^(d)
Liquor and Wine.....	35,543,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,365,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	77,084,000	75,000,000	110,000,000	91,000,000
Insurance Company.....	89,042,000	100,000,000	90,000,000	92,000,000
Other.....	1,089,472,000	61,000,000 ^(e)	56,600,000 ^(e)	60,300,000 ^(e)
Subtotal.....	11,098,230,000	10,281,100,000	10,661,200,000	11,130,937,500
Nontax Revenue				
Departmental Revenue				
Tobacco Settlement.....	124,389,000	124,763,700	155,526,000	157,602,800
Tobacco Securitization.....	NA	NA	450,000,000	NA
Other.....	226,993,000	190,946,100	228,159,800	205,922,300
Total Federal Aids.....	5,499,440,000	4,703,374,700	5,480,779,400	5,569,179,100
Total Program Revenue.....	3,382,374,000	2,734,917,200	3,017,256,400	3,081,343,100
Total Segregated Funds.....	3,998,487,000	2,292,791,500	3,210,905,000	2,908,494,600
Bond Authority.....	1,012,419,000	400,000,000	500,000,000	383,000,000
Employee Benefit Contributions ^(f)	(3,065,828,000)	7,051,394,300	7,461,324,917	7,889,603,973
Subtotal.....	11,178,274,000	17,498,187,500	20,503,951,517	20,195,145,873
Total Available.....	\$ 23,112,218,000	\$ 28,438,072,300	\$ 31,362,980,717	\$ 31,601,485,573
DISBURSEMENTS AND RESERVES				
Commerce.....	\$ 450,530,000	\$ 415,866,300	\$ 424,005,100	\$ 424,913,400
Education.....	8,673,626,000	8,223,303,400	8,705,842,100	8,992,452,100
Environmental Resources.....	2,805,522,000	2,437,927,900	2,681,682,500	2,693,527,500
Human Relations and Resources.....	8,597,677,000	6,733,347,000	7,795,217,500	8,050,009,400
General Executive.....	4,360,894,000	669,656,800	770,231,300	769,646,400
Judicial.....	109,019,000	104,709,200	105,252,300	105,622,700
Legislative.....	62,220,000	59,086,500	63,818,500	63,112,500
General Appropriations.....	3,108,270,000	2,163,488,700	2,695,544,400	2,269,025,800
General Obligation Bond Program.....	583,078,000	400,000,000	500,000,000	383,000,000
Employee Benefit Payments ^(f)	2,655,528,000	2,695,311,400	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments ^(f)	0	4,356,082,900	4,083,809,108	4,059,522,824
Subtotal.....	31,406,364,000	28,258,780,100	31,202,918,617	31,640,913,773
Less: (Lapses).....	NA	(122,124,800)	(149,272,400)	(177,409,300)
Compensation Reserves.....	NA	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	134,328,600	138,726,600	142,701,500
Transfer to Tobacco Control Board.....	NA	NA	6,032,300	15,345,100
Change in Continuing Balance.....	(8,511,569,000)	NA	NA	NA
Total Disbursements & Reserves.....	\$ 22,894,795,000	\$ 28,388,733,900	\$ 31,226,305,117	\$ 31,704,051,073
Fund Balance.....	\$ 217,423,000	\$ 49,338,400	\$ 136,675,600	\$ (102,565,500) ^(g)
Undesignated Balance.....	\$ 207,508,000	\$ 183,667,000	\$ 275,402,200	\$ 40,136,000

- (a) The amounts shown are based on statutorily required accounting and not on GAAP.
- (b) The amounts shown are unaudited and rounded to the nearest thousand.
- (c) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
- (d) The increase is the result of an \$0.18 per pack increase on cigarettes.
- (e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$827 million of motor fuel taxes in the 2000-2001 fiscal year.
- (f) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in the 2000 Annual Report.
- (g) One of the Governor's vetoes prevented the shift of a school aid payment of \$115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the Undesignated Balance is positive.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Table II-4; State Budget–General Fund (Page 37). Update the table with the following:

State Budget–General Fund^(a)

	<u>Actual 2000-2001^(b)</u>	<u>Budget 2000-2001</u>	<u>Budget 2001-2002</u>	<u>Budget 2002-2003</u>
RECEIPTS				
Fund Balance from Prior Year.....	\$ 835,714,000	\$ 658,784,800 ^(c)	\$ 197,829,200	\$ 275,402,200
Tax Revenue				
State Taxes Deposited to General Fund				
Individual Income.....	5,156,565,000	5,158,800,000	5,455,527,500	5,687,055,500
General Sales and Use.....	3,609,895,000	3,710,000,000	3,750,575,400	3,975,136,000
Corporate Franchise and Income.....	537,159,000	658,300,000	594,197,100	606,318,500
Public Utility.....	239,238,000	220,000,000	244,000,000	249,977,500
Excise				
Cigarette/Tobacco Products.....	254,867,000	255,200,000	314,900,000 ^(d)	322,850,000 ^(d)
Liquor and Wine.....	35,543,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,365,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	77,084,000	75,000,000	110,000,000	91,000,000
Insurance Company.....	89,042,000	100,000,000	90,000,000	92,000,000
Other.....	70,573,000	61,000,000	56,600,000	60,300,000
Subtotal.....	<u>10,079,331,000</u>	<u>10,281,100,000</u>	<u>10,661,200,000</u>	<u>11,130,937,500</u>
Nontax Revenue				
Departmental Revenue				
Tobacco Settlement.....	124,389,000	124,763,700	155,526,000	157,602,800
Tobacco Securitization.....	NA	NA	450,000,000	NA
Other.....	226,993,000	190,946,100	228,159,800	205,922,300
Program Revenue-Federal.....	5,472,647,000	4,121,351,700	4,764,099,400	4,824,834,300
Program Revenue-Other.....	3,382,374,000	2,734,917,200	3,017,256,400	3,081,343,100
Subtotal.....	<u>9,206,403,000</u>	<u>7,171,978,700</u>	<u>8,615,041,600</u>	<u>8,269,702,500</u>
Total Available.....	<u>\$ 20,121,448,000</u>	<u>\$ 18,111,863,500</u>	<u>\$ 19,474,070,800</u>	<u>\$ 19,676,042,200</u>
DISBURSEMENTS AND RESERVES				
Commerce.....	\$ 221,297,000	\$ 220,214,600	\$ 229,323,700	\$ 234,907,900
Education.....	8,353,243,000	8,163,838,300	8,637,401,400	8,920,102,400
Environmental Resources.....	272,918,000	259,939,200	254,440,800	262,716,600
Human Relations and Resources.....	7,287,626,000	6,541,581,500	7,441,989,600	7,520,124,900
General Executive.....	651,970,000	569,934,100	635,922,900	636,185,000
Judicial.....	108,676,000	104,051,400	104,543,200	104,913,600
Legislative.....	62,220,000	59,086,500	63,818,500	63,112,500
General Appropriations.....	<u>2,490,467,000</u>	<u>2,013,925,700</u>	<u>1,946,568,600</u>	<u>1,973,407,500</u>
Subtotal.....	<u>19,448,417,000</u>	<u>17,932,571,300</u>	<u>19,314,008,700</u>	<u>19,715,470,400</u>
Less: (Lapses).....	NA	(122,124,800)	(149,272,400)	(177,409,300)
Compensation Reserves.....	NA	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	134,328,600	138,726,600	142,701,500
Transfer to Tobacco Control Board.....	NA	NA	6,032,300	15,345,100
Changes in Continuing Balance.....	<u>455,608,000</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Total Disbursements & Reserves.....	<u>\$ 19,904,025,000</u>	<u>\$ 18,062,525,100</u>	<u>\$ 19,337,395,200</u>	<u>\$ 19,778,607,700</u>
Fund Balance.....	\$ 217,423,000	\$ 49,338,400	\$ 136,675,600	\$ (102,565,500) ^(e)
Undesignated Balance.....	\$ 207,508,000	\$ 183,667,000	\$ 275,402,200	\$ 40,136,000

- (a) The amounts shown are based on statutorily required accounting and not on GAAP.
- (b) The amounts shown are unaudited and rounded to the nearest thousand.
- (c) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
- (d) The increase is the result of an \$0.18 per pack increase on cigarettes.
- (e) One of the Governor's vetoes prevented the shift of a school aid payment of \$115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the Undesignated balance is positive.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Table II-8; General Fund Monthly Position (Page 37). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION^(a)					
July 1, 1999 through October 31, 2001 — Actual					
November 1, 2001 through June 30, 2002 — Estimated^(b)					
(Amounts in Thousands)					
	Starting Date	Starting Balance	Receipts^(c)	Disbursements^(c)	
1999	July.....	\$ 736,269	\$ 1,441,009	\$ 1,836,987	
	August.....	340,291	1,308,849	868,154	
	September.....	780,986	1,547,229	1,292,942	
	October.....	1,035,273	1,331,192	1,031,907	
	November.....	1,334,558	1,433,801	1,794,197	
	December.....	974,162	1,449,618	1,987,753	
	2000	January.....	436,027	2,095,798	1,693,313
		February.....	838,512	1,544,207	1,240,280
		March.....	1,142,439	1,526,625	2,143,437
		April.....	525,627	1,812,812	1,174,173
		May.....	1,164,266	1,580,865	1,172,474
		June.....	1,572,657	1,910,223	2,811,272
July.....		671,608	1,405,811	1,674,899	
August.....		402,520	1,391,600	1,036,240	
September.....		757,880	1,716,848	1,540,488	
October.....		934,240	1,545,868	1,039,609	
November.....		1,440,499	1,451,918	1,886,868	
December.....		1,005,549	1,335,205	2,070,373	
2001	January.....	270,381	2,143,861	1,190,946	
	February.....	1,223,296	1,494,577	1,339,377	
	March.....	1,378,496	1,381,012	2,312,836	
	April.....	446,672	2,042,531	1,469,093	
	May.....	1,020,110	1,800,948	1,405,982	
	June.....	1,415,076	1,698,317	2,831,828	
	July.....	281,565	1,575,450	1,853,617	
	August.....	3,398	1,497,565	1,103,304	
	September.....	397,659	2,520,198	1,627,038	
	October.....	1,290,819	1,631,893	1,101,102	
	November.....	1,821,610	1,540,188	2,354,337	
	December.....	1,007,461	1,533,197	2,070,692	
2002	January.....	469,966	2,148,824	1,258,875	
	February.....	1,359,915	1,527,633	1,522,191	
	March.....	1,365,357	1,646,899	2,696,595	
	April.....	315,661	1,922,739	1,467,253	
	May.....	771,147	1,616,493	1,735,996	
	June.....	651,644	2,334,466	2,705,123	

^(a) The General Fund balances presented in this table are not based on Generally Accepted Accounting Principles (GAAP).

^(b) The monthly receipt and disbursement projections for November 1, 2001 through June 30, 2002 are based on estimates provided by the Division of Executive Budget and Finance and the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16).

^(c) The amounts shown in September 2001 include receipts from the issuance of operating notes and amounts shown in February–May 2002 include disbursements for impoundment payments required in connection with the operating notes. No operating notes were issued in the 1999-2000 or 2000-01 fiscal years. In addition, the receipt amounts shown in June 2002 include receipt of \$450 million from proceeds of the expected securitization of tobacco settlement revenues due the State under the Master Settlement Agreement.

Source: Wisconsin Department of Administration.

Table II-9; Balances in Funds Available for Interfund Borrowing (Page 38). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING^(a)
July 1, 1999 to October 31, 2001 — Actual
November 1, 2001 to June 1, 2002 — Estimated^(b)
(Amounts in Millions)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
January		\$ 3,735	\$ 3,701	\$ 1,726
February		4,159	4,435	1,798
March		4,262	4,786	1,821
April		4,267	5,212	1,725
May		3,961	4,952	1,680
June		3,636	4,680	1,759
July	\$ 4,017	3,733	4,925	
August	4,245	4,084	5,275	
September	3,865	3,743	4,785	
October	3,820	3,796	4,328	
November	3,374	3,378	1,578 ^(b)	
December	3,411	3,489	1,654	

^(a) Consists of the following funds:

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

^(b) Estimated balances for November 1, 2001 and succeeding months include only 20% of the amount estimated to be available for the local government investment pool. The local government investment pool is composed of funds deposited by local units of government that may be withdrawn without notice. Balances in the local government investment pool ranged from a low of \$63 million on July 1, 1983 to a high of \$4.426 billion on March 1, 1994. Under Section 20.002 (11), Wisconsin Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect, which based on the 2001-2002 budget is approximately \$571 million, and an additional 3% (approximately \$343 million) for a period of up to 30 days.

Source: Wisconsin Department of Administration.

Table II-10; Revenues Deposited to the General Fund (Page 39). Update the table with the following:

GENERAL FUND REVENUES^(a)
July 1, 2001 to October 31, 2001 compared with previous year
(Unaudited)

	Actual Revenues <u>2000-01FY^(b)</u>	Projected Revenues <u>2001-02 FY</u>	Actual Revenues July 1, 2000 to <u>October 31, 2000</u>	Actual Revenues July 1, 2001 to <u>October 31, 2001</u>
Individual Income Tax	\$ 4,725,971,194	\$ 5,455,527,500	\$ 1,450,864,232	\$ 1,433,828,771
General Sales and Use Tax ..	3,251,963,963	3,750,485,400	911,899,477	920,847,945
Corporate Franchise and Income Tax	542,395,802	594,297,100	154,551,303	145,742,221
Public Utility Taxes	239,628,753	244,000,000	(590,622) ^(d)	1,631,095
Excise Taxes	271,939,928	360,300,000	78,834,063	81,316,033
Inheritance Taxes	77,348,470	110,000,000	24,824,257	31,477,677
Miscellaneous Taxes	65,446,092	146,600,000	13,491,497	23,615,100
SUBTOTAL.....	<u>9,174,694,202</u>	<u>10,661,210,000</u>	<u>2,633,874,207</u>	<u>2,638,458,841</u>
Federal Receipts.....	4,774,563,490	4,766,889,000	1,381,806,402	1,626,119,471
Dedicated and Other Revenues ^(c)	<u>4,409,432,922</u>	<u>3,851,470,400</u>	<u>1,070,441,875</u>	<u>1,152,758,990</u>
TOTAL.....	<u>\$ 18,358,690,614</u>	<u>\$ 19,279,569,400</u>	<u>\$ 5,086,122,484</u>	<u>\$ 5,417,337,302</u>

- (a) The amounts shown are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some cash deposits made after June 30th are recorded as revenues in the prior fiscal prior year. Therefore, the revenues in this table will not be comparable to the receipts shown in the general fund monthly cash flow table included on page A-6. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the 2000 Annual Report.
- (b) The amounts shown are the sum of all revenues for fiscal year 2000-01 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ended June 30, 2001.
- (c) The statutory basis of accounting requires that certain transfers between General Fund appropriations be 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.
- (d) The negative amount reflects refunds of tax overpayments made in prior fiscal years. Refunds are treated as negative revenues and when refunds exceed revenues, a negative balance results.

Source: Wisconsin Department of Administration.

Table II-11; General Fund Expenditures by Function (Page 40). Update the table with the following:

GENERAL FUND EXPENDITURES BY FUNCTION^(a)
July 1, 2001 to October 31, 2001 compared with previous year
(Unaudited)

	Actual Expenditures 2000-01 FY ^(b)	Appropriations 2001-02 FY	Actual Expenditures July 1, 2000 to October 31, 2000	Actual Expenditures July 1, 2001 to October 31, 2001
Commerce.....	\$ 198,769,259	\$ 229,909,200	\$ 71,231,075	\$ 74,194,114
Education.....	8,260,686,345	8,655,045,700	1,910,271,075	1,997,924,695
Environmental Resources.....	263,226,746	254,725,800	83,326,090	81,721,060
Human Relations & Resources.....	7,421,203,809	7,450,283,800	2,211,353,775	2,461,096,999
General Executive.....	647,756,285	639,385,700	186,765,703	185,506,476
Judicial.....	105,763,121	104,641,000	39,910,661	37,921,133
Legislative.....	57,909,745	63,929,500	16,746,997	17,459,331
General Appropriations.....	2,470,911,322	1,946,568,600	696,592,098	686,551,389
TOTAL.....	\$ 19,426,226,632	\$ 19,344,489,300	\$ 5,216,197,473	\$ 5,542,375,198

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some expenditures made after June 30th be recorded as expenses in the prior fiscal prior year. Therefore, the expenditures in this table will not be comparable to the disbursements shown in the general fund monthly cash flow table on page A-6. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the 2000 Annual Report.

(b) The amounts shown are the sum of all expenditures for fiscal year 2000-01 based on the data used in the preparation of the Annual Fiscal Report (Budgetary Basis) for the year ending June 30, 2001.

Source: Wisconsin Department of Administration.

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APPENDIX B

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Official Statement.

“2000 Series A Bonds” means the \$170,250,000 State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2000 Series A, issued on March 2, 2000.

“2000 Notes Supplemental Resolution” means 2000 State of Wisconsin Building Commission Resolution 6, adopted on May 2, 2000.

“2001 Series A Bonds” means the \$30,000,000 State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A, expected to be issued on December 18, 2001.

“Account” means any of the accounts in the Funds.

“Acting Beneficiaries Upon Default” means:

- for purposes of the provisions of the Program Resolution concerning acceleration of maturity, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and
- for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds of the most senior class of any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

“Authorized Commission Representative” means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

“Authorized Department Representative” means any person at the time designated to act on behalf of the Department by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Department by the Secretary of the Department, and also includes the Secretary.

“Beneficial Owner” means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

“Beneficial Ownership Interest” means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

“Beneficiary” means any Holder of Bonds, any Swap Counterparty, and any Credit Facility Provider.

“Bond Anticipation Notes” means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

“Bond Counsel” means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond

market and who is familiar with the transactions contemplated under the Program Resolution. Unless specifically otherwise provided, any opinion of Bond Counsel required by the Program Resolution shall be in writing.

“*Bonds*” means revenue obligations of the State, however designated and whether Senior, Subordinate, or Junior Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Petroleum Inspection Fees and does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

“*The Bond Buyer Revenue Bond Index*” means the 25-Bond Revenue Bond Index as published by The Bond Buyer.

“*Book-Entry System*” means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds.

“*Building Commission*” means the State of Wisconsin Building Commission.

“*Business Day*” or “*business day*” means, with respect to any series of Bonds, a day on which (a) banks located in the city in which the Principal Office of any Fiduciary with responsibilities for that series of Bonds is located are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed; *provided*, that a Supplemental Resolution may provide for a different meaning with respect to Bonds of any series issued pursuant thereto.

“*Capitalized Interest Account*” means the Capitalized Interest Account created within the Proceeds Fund.

“*Claims Account*” means the Claims Account created within the Proceeds Fund.

“*Code*” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

“*Counterparty Swap Payment*” means a payment due to or received by the State from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the State under any related Swap Counterparty Guaranty.

“*Credit Enhancement Facility*” means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds (but not necessarily principal due upon acceleration of maturity) or (2) a letter of credit, standby purchase agreement, or similar instrument, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

“*Credit Facility Provider*” means any Person or Persons engaged by the State pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State’s obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

“*Debt Service*” means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap

Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, bearing interest at the Projected Interest Rate, and maturing according to such amortization schedule as the State may determine; *provided* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution to provide for a subordinate class of Bonds or other obligations with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

“Debt Service Coverage Ratio” means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

“Department” means the State of Wisconsin Department of Commerce.

“Escrow Account” means a separate and distinct Account created within the Redemption Fund or the Junior Subordinate Redemption Fund hereof in connection with the defeasance of any Bonds.

“EMCP” or *“Notes”* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the 2000 Notes Supplemental Resolution.

“*Event of Default*” means one of the events described as such in the Program Resolution.

“*Extended Maturity Date*” means, for each Bond designated as EMCP, the date that is 270 days after the original issue date.

“*Federal Securities*” means noncallable, direct obligations of the United States of America.

“*Fiduciary*” means each of the Trustee, and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

“*Fiscal Year*” means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

“*Fund*” means any of the funds created by the Program Resolution.

“*Holder*” means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, except that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including, without limitation, for purposes of the definition of “Acting Beneficiaries Upon Default”), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

“*Independent Counsel*” means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia, or with respect to opinions relating to the law of a country other than the United States of America, an Independent Person duly admitted to the practice of law in such country. Unless specifically otherwise provided, any opinion of Independent Counsel required by the Program Resolution shall be in writing.

“*Independent Person*” means a Person designated by the State and not an employee of the State.

“*Indirect Participant*” means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

“*Interest Account*” means the Interest Account created within the Redemption Fund.

“*Interest Payment Date*” means any date on which interest is due on any Bond pursuant to the Program Resolution.

“*Interest Subaccount*” means the Interest Subaccount of the Interest Account of the Redemption Fund, created by the 2000 Notes Supplemental Resolution and held by the Issuing and Paying Agent.

“*Issuance and Administrative Account*” means the Issuance and Administrative Account created within the Proceeds Fund.

“*Issuing Agent*” means the entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

“*Issuing and Paying Agent*” means, for purposes of Bonds issued as EMCP, the issuing and paying agent for EMCP as appointed by the 2000 Notes Supplemental Resolution.

“*Junior Subordinate*” means, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit

Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

“Junior Subordinate Principal Account” means the Junior Subordinate Principal Account created within the Junior Subordinate Redemption Fund.

“Junior Subordinate Redemption Fund” means the Junior Subordinate Redemption Fund created under the Program Resolution.

“Master Bond” means one or more Bonds registered in the name of the Securities Depository Nominee, which shall cover all maturities of Bonds identified in the records of the State as being so covered.

“Maximum Annual Debt Service” means, as of the date of determination, the maximum annual Debt Service, as computed for the then current or any future Fiscal Year.

“Notes” or *“EMCP”* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the 2000 Notes Supplemental Resolution.

“Note Redemption Accounts” means the Interest Subaccount and the Junior Subordinate Principal Account.

“Original Maturity Date” means, for each Bond designated as EMCP, the date that is from 1 to 180 days from the original issue date, specified as such in the confirmation sent to the Holder of the EMCP.

“Other Beneficiary” shall mean a Person who is a Beneficiary of an Other Obligation.

“Other Obligation” shall mean the State’s obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

“Outstanding” means, (1) when used in reference to the Bonds as at any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except*:

- Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- Bonds deemed to be paid because their payment has been provided for;
- Bonds in lieu of which other Bonds have been authenticated;
- Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and
- Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

“Participant” means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

“*Paying Agent*” means an agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

“*PECFA Program*” means the Petroleum Environmental Cleanup Fund Award Program, which is a petroleum storage remedial program provided for in the Wisconsin Statutes.

“*Permitted Investments*” means any of the following:

- Direct obligations of the United States and of agencies of and corporations wholly owned by the United States, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank and Asian development bank, in each case maturing within one year or less from the date of investment;
- Commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody’s Investors Service Inc., Standard & Poor’s Ratings Services, or Fitch, Inc.;
- Certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks or savings and loan associations located in the United States and having capital and surplus of at least \$40,000,000; and
- Any other investment permitted by law, so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of such investment, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to such investment, as evidenced in writing to the Trustee by each such Beneficiary.

“*Person*” means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

“*Petroleum Inspection Fees*” means the fees imposed under Section 168.12 (1) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the Wisconsin Statutes.

“*Petroleum Inspection Fund*” means the separate nonlapsible trust fund created under Section 25.47, Wisconsin Statutes, which includes all the funds and accounts created under the Program Resolution and a separate fund held in the state treasury.

“*Principal Account*” means the Principal Account created within the Redemption Fund.

“*Principal Amount*” when used with respect to a Bond, shall mean the then outstanding principal amount of such Bond; *provided*, that to the extent provided in the Supplemental Resolution for Bonds of such series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of such series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

“*Principal Office*” means, with respect to any Fiduciary, the office which may be designated as such, from time to time, by the Fiduciary in writing to the State and (in the case of any Fiduciary which is not the Trustee) to the Trustee.

“Principal Payment Date” means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

“Proceeds Fund” means the Proceeds Fund created under the Program Resolution.

“Program Expense Account” means the Program Expense Account created within the Program Fund.

“Program Fund” means the Program Fund created under the Program Resolution.

“Program Resolution” means the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, as adopted by the Building Commission on January 19, 2000, as amended and restated by the 2000 Notes Supplemental Resolution, together with any and all Supplemental Resolutions.

“Projected Annual Revenues” means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available; *provided*, that if, as a result of legislation enacted prior to the time of determination, the rate of the Petroleum Inspection Fee for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, *“Projected Annual Revenues”* shall be adjusted to take such change into account.

“Projected Interest Rate” means the sum of the Bond Buyer Revenue Bond Index, as most recently compiled and published in *The Bond Buyer* as of the date of determination, plus 3% per annum, or if such index is no longer published, *“Projected Interest Rate”* shall mean an interest rate determined in such alternate manner as the State may establish by State Certificate or Supplemental Resolution; *provided*, that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of the use of such alternate manner of determination, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to the use of such alternate manner of determination, as evidenced in writing by each such Beneficiary.

“Rate Stabilization Fund” means the Rate Stabilization Fund created under the Program Resolution.

“Rating Agency” means, at any time, any nationally recognized securities rating agency that is then maintaining a rating on the Bonds at the request of the State. *“Rating Agency”* includes the successors and assigns of such agency.

“Rebate Fund” means the Rebate Fund created under the Program Resolution.

“Redemption Date” means the date fixed for redemption of any Bond pursuant to the Program Resolution.

“Redemption Fund” means the Redemption Fund created under the Program Resolution.

“Refunding Bonds” means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under this Resolution or to fund Bond Anticipation Notes.

“Registrar” means the State Treasurer or an agent of the State designated by or on behalf of the State Treasurer to maintain the registration books for the Bonds.

“Reserve Fund” means the Reserve Fund created under the Program Resolution.

“Reserve Fund Requirement” means, at any time, an amount equal to the greatest amount established as such in any Supplemental Resolution, which may be expressed as a percentage of Outstanding Bonds, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

“Revenue Fund” means the Revenue Fund created under the Program Resolution.

“Revenue Obligations Act” means Subchapter II of Chapter 18, Wisconsin Statutes.

“Revenue Payment Date” shall mean each Business Day on which Petroleum Revenue Fees are received by the Trustee.

“Securities Depository” means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

“Senior” means (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

“Serial Bonds” means all Bonds other than Term Bonds.

“Sinking Fund Payment Date” means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

“State” means the State of Wisconsin.

“State Certificate” means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

“State Direction” means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

“State Swap Payment” shall mean a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

“Subordinate” means, after the adoption of a Supplemental Resolution to provide for the creation of a subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and prior to Junior Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect

to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

“*Supplemental Resolution*” means a resolution adopted by the Building Commission to supplement or amend the Program Resolution.

“*Swap Agreement*” means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of (1) converting, in whole or in part, (a) the State’s fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State’s variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State’s variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State’s variable interest rate liability on all or a portion of any Bonds.

“*Swap Counterparty*” means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

“*Swap Counterparty Guaranty*” means a guaranty in favor of the State given in connection with the execution and delivery of a Swap Agreement under the Program Resolution.

“*Tender Date*” means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

“*Term Bonds*” means Bonds that are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

“*Trustee*” means the entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution. The Building Commission has designated The Bank of New York to serve as Trustee.

“*Unenhanced Bond*” means a Bond the payment of the principal of and interest on which is not provided for or secured by a Credit Enhancement Facility.

“*Variable Rate Bonds*” means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

“*Variable Rate Debt*” means (1) all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to the which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State’s fixed rate liability to a variable rate liability.

“*Variable Rate Debt Exposure*” means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

Certain provisions of the Program Resolution are summarized below. Reference should be made to the complete Program Resolution for a full and complete statement of its provisions. A copy of the Program Resolution may be obtained by contacting the State at the address provided on the [first page of this Official Statement](#).

Additional Senior Bonds

The State may issue additional Senior Bonds, upon compliance with certain conditions, including, in some instances, meeting the additional bonds test. In the case of Bond Anticipation Notes, the conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes. These conditions include the following:

- Immediately after issuance, there cannot be a deficiency in the Reserve Fund.
- The State must certify that it is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless an opinion of Independent Counsel is given that the default does not deprive any Beneficial Owner in any material respect of security given by the Program Resolution).
- Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the State must certify that, as of the date of issuance of the Bonds, the Debt Service Coverage Ratio will be at least 2 to 1; *provided*, that in connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Maximum Annual Debt Service.

For this purpose:

“*Debt Service*” means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided*, however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes (such as the Notes) shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to Bond Anticipation Notes bearing interest at the Projected Interest Rate and maturing according to such amortization schedule as the State may determine; *provided*, that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the

Trustee or another Person approved by the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).

- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution adopted to provide for the issuance of Subordinate or Junior Subordinate Bonds, with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

“Debt Service Coverage Ratio” means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

“Projected Annual Revenues” means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available. If legislation changes the rate of the Petroleum Inspection Fee, *“Projected Annual Revenues”* shall be adjusted to take such change into account.

Variable Rate Take-Out Capacity Test

On each Monthly Reporting Date while any Variable Rate Debt is Outstanding, the State shall provide to the Trustee a State Certificate setting forth the Variable Rate Take-Out Capacity and the Variable Rate Debt Exposure based on the most current available information. If the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, the State agrees to (1) promptly notify the Rating Agencies of such fact, and (2) submit to the Trustee and each Rating Agency, no later than 45 days after such Monthly Reporting Date, a plan to cause the Variable Rate Take-Out Capacity to exceed the Variable Rate Debt Exposure by the third Monthly Reporting Date following the Monthly Reporting Date that made the notification and plan necessary.

For this purpose:

“Debt Service” shall, except as specifically provided, be calculated consistently with the provisions set forth above with respect to the additional bonds test.

“Monthly Reporting Date” means, in each month, a date on or before the fifteenth day of the month, as selected by an Authorized Commission Representative.

“Projected Monthly Revenues” means the average of the Petroleum Inspection Fees collected in each of the twelve most recent months for which such information is available; *provided*, that if the rate of the Petroleum Inspection Fee that will be in effect for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, *“Projected Monthly Revenues”* shall be adjusted to take such change into account.

“*Senior Bond Anticipation Notes*” includes all Bond Anticipation Notes for which the funding Bonds have been authorized as Senior Bonds.

“*Variable Rate Debt*” (1) includes all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State’s fixed rate liability to a variable rate liability.

“*Variable Rate Take-Out Capacity*” means an amount equal to the present value of the net revenue stream that would be available after the collection of 50% of the Projected Monthly Revenues in each of the 240 succeeding months and the payment of Debt Service due in each such month with respect to all Outstanding Senior Bonds which do not constitute Variable Rate Debt (assuming the receipt of revenues and the payment of Debt Service on the first day of the month), discounted (on the basis of a 360-day year consisting of twelve 30-day months, and semi-annual compounding) using a discount rate equal to the Projected Interest Rate.

“*Variable Rate Debt Exposure*” means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

Funds and Accounts

The Program Resolution establishes the following Funds and Accounts:

- Proceeds Fund (and within it, a Capitalized Interest Account, an Issuance and Administrative Account, and a Claims Account).
- Revenue Fund.
- Rebate Fund.
- Redemption Fund (and within it, an Interest Account and a Principal Account).
- Reserve Fund.
- Rate Stabilization Fund.
- Junior Subordinate Redemption Fund (and within it, a Junior Subordinate Principal Account).
- Program Fund (and within it, a Program Expense Account).

Proceeds Fund

Upon the delivery of any series of Bonds, the Trustee will credit to the Proceeds Fund the amount specified in the resolution authorizing the Bonds. The amounts, if any, so designated in the resolution will be credited to the Capitalized Interest Account and the Issuance and Administrative Account, respectively, and the remainder will be credited to the Claims Account.

Moneys in the Capitalized Interest Account will be applied only for the payment of interest on the Senior Bonds. Moneys in the Issuance and Administrative Account will be applied to the payment of costs of issuance of the Bonds and administrative expenses. Moneys in the Claims Account will be applied to costs of the petroleum storage remedial action program.

Revenue Fund

The Trustee will credit all Petroleum Inspection Fees received from the Department of Revenue to the Revenue Fund. On each Revenue Payment Date, the Trustee will transfer the money so credited, as follows:

- *First*, to the Rebate Fund.

- *Second*, to the Interest Account for the payment of interest on Senior Bonds or Senior Other Obligations payable therefrom.
- *Third*, to the Principal Account for the payment of principal of Senior Bonds or the payment of Senior Other Obligations payable therefrom.
- *Fourth*, to the Reserve Fund, if necessary to increase the balance to the Reserve Fund Requirement.
- *Fifth*, to the Rate Stabilization Fund, if directed by the State.
- *Sixth*, to the Junior Subordinate Principal Account within the Junior Subordinate Redemption Fund for the payment of principal of Junior Subordinate Bonds or the payment of Other Obligations payable therefrom.
- *Seventh*, to the Program Fund. If the Building Commission creates Funds and Accounts for Subordinate Bonds or Subordinate Other Obligations, it may apply money to Funds and Accounts established for those obligations before applying the money to the Program Fund.

The Program Resolution permits the issuance of Subordinate Bonds, which would have a pledge of Petroleum Inspection Fees that is subordinate to the pledge provided the Senior Bonds yet senior to the pledge provided the Junior Subordinate Bonds. If Subordinate Bonds are issued, a Subordinate Redemption Fund will be created.

Rebate Fund

The State will periodically determine, for each issue of Bonds, the arbitrage rebate liability under federal tax law. The State may specify an amount that should be held in the Rebate Account for arbitrage rebate payments. Any amount not required for arbitrage rebate payments will be transferred to the Interest Account.

If the Trustee is furnished with a written opinion of Bond Counsel to the effect that amounts held in the Rebate Fund are not needed to make arbitrage rebate payments, those amounts will be transferred to the Interest Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, premium, if any, and interest on the Senior Bonds and Other Obligations.

Interest Account

The Trustee will credit to the Interest Account any premium or accrued interest paid as part of the purchase price for a series of Senior Bonds. The Trustee will also deposit in the Interest Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay interest on the Senior Bonds (unless those proceeds are deposited into an Escrow Account).
- All Counterparty Swap Payments.
- All investment earnings from money in the Redemption Fund (unless they are required to be in an Escrow Account), the Reserve Fund, the Rate Stabilization Fund, and the Junior Subordinate Redemption Fund.
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund.
- Amounts transferred from the Rebate Fund.
- Other amounts required to be transferred thereto from the Funds and Accounts.

The Trustee will make periodic deposits to the credit of the Interest Account, at least 30 days before payment is due, of amounts determined or estimated to aggregate the full amount of each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, and the reimbursement to all Credit Facility Providers for payments of interest on the Senior Bonds pursuant to Credit Enhancement Facilities.

If money in the Interest Account is insufficient when needed to pay the accrued interest due on the Senior Bonds, all State Swap Payments, and all reimbursements and fees payable to a Credit Facility Provider, or any portion of the purchase price of Senior Bonds to be so purchased attributable to accrued interest, the Trustee will immediately deposit to the credit of the Interest Account an amount equal to such deficiency. Each deposit required to pay the foregoing amounts shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Capitalized Interest Account, the Revenue Fund, the Rate Stabilization Fund, the Reserve Fund, and the Principal Account.

If money in the Interest Account is insufficient when needed to pay amounts payable therefrom, the money shall be applied, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries and to be paid from the Interest Account.

Principal Account

With respect to each series of Senior Bonds, the Trustee will deposit to the credit of the Principal Account:

- The portion of the sale proceeds from the State's borrowings to be used to pay principal of the Senior Bonds on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account).
- Amounts transferred, at the State's direction, from the Rate Stabilization Fund or the Program Fund.
- Amounts required to be transferred thereto from the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

To provide for the payment of each installment of principal which falls due upon Senior Serial Bonds (other than certain Bond Anticipation Notes) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor, the Trustee will make periodic deposits, to aggregate the full amount of such installment at least 30 days before such payment is due. To provide for the payment of the redemption price of Senior Bonds to be redeemed on any other Redemption Date, the Trustee shall make deposits, as directed by a Supplemental Resolution or the State, to aggregate the full amount of such redemption price at least 5 days before such redemption price is due.

Money in the Principal Account will be applied to the payment of Senior Bonds on a Principal Payment Date or for the payment of reimbursements for amounts paid under a Senior Credit Enhancement Facility to pay principal of and premium, if any, on Senior Bonds, to such payment when due.

Each deposit required to be made to the credit of the Principal Account shall be made by transfer from the following Funds and Accounts, in the following order of priority: the Revenue Fund, the Rate Stabilization Fund, and the Reserve Fund.

When the balance in the Principal Account is not sufficient to pay all amounts payable therefrom on such date, the amounts in the account will be applied in the following order of priority: *first*, to the Interest Account; and *second*, to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursement of such payments made by a Senior Credit Facility

Provider, *pro rata*, among such obligations based upon such amounts then owing to Beneficiaries.

Money in the Principal Account may also be applied to the purchase of Senior Bonds if no deficiencies exist at such time in the Interest Account, the Principal Account, or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date.

Reserve Fund

From the proceeds of any series of Bonds or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in a resolution providing for the issuance of a series of Bonds, such that upon issuance of such Senior Bonds, the balance in the Reserve Fund shall not be less than the Reserve Fund Requirement. There is no Reserve Fund Requirement at this time.

If on any Revenue Payment Date the balance in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee will transfer an amount equal to the deficiency from the Revenue Fund (to the extent not required for credit to the Rebate Fund or the Redemption Fund).

Money in the Reserve Fund will be applied solely for the payment when due of principal of and interest on the Senior Bonds and amounts owing under Senior Other Obligations. It will be so applied by transfer to the Redemption Fund, if the amounts therein and available in the Revenue Fund, the Capitalized Interest Account, and the Rate Stabilization Fund are insufficient to meet the amount required for deposit to the credit of the Redemption Fund at such time. Amounts in the Reserve Fund shall be applied, *first*, to the payment of interest on the Senior Bonds and the payment of Senior Other Obligations payable from the Interest Account, and *second*, to the payment of principal of the Senior Bonds and the payment of Senior Other Obligations payable from the Principal Account. On the stated maturity date or any Redemption Date of any Senior Bonds, amounts in the Reserve Fund shall, upon State Direction, be applied to the payment at maturity or redemption of all Outstanding Senior Bonds of a series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of the Reserve Fund below the Reserve Fund Requirement (calculated as though the Senior Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation). At any time when the aggregate of the amounts in the Redemption Fund, the Capitalized Interest Account, the Reserve Fund, and the Rate Stabilization Fund equals an amount sufficient and available to discharge and satisfy the obligations of the State with respect to all of the Outstanding Senior Bonds and Senior Other Obligations and to make all deposits to the credit of the Rebate Fund required by the Program Resolution, all in the manner described in the Program Resolution, such amounts shall, upon State Direction, be so applied. If on any Revenue Payment Date the balance in the Reserve Fund exceeds the Reserve Fund Requirement, such excess shall, upon State Direction, be transferred to the Rate Stabilization Fund or the Program Fund.

Rate Stabilization Fund

The Trustee will credit to the Rate Stabilization Fund such amounts as the State directs, from the Revenue Fund, from the Reserve Fund, or from the Program Fund.

On any date on which the balance in the Redemption Fund (after transfers thereto from the Revenue Fund and the Capitalized Interest Account) is not sufficient to pay all amounts payable therefrom on such date, the Trustee will transfer money in the Rate Stabilization Fund, as follows:

- *First*, to the Interest Account for the payment of interest on Senior Bonds or Other Senior Obligations payable therefrom; and
- *Second*, to the Principal Account for the payment of the principal of Senior Bonds or the payment of Other Senior Obligations payable therefrom.

In addition, the Trustee shall transfer from the Rate Stabilization Fund to the Interest Account or the Principal Account such amounts as the State directs.

Junior Subordinate Redemption Fund

The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall deposit to the credit of the Junior Subordinate Principal Account that portion of the proceeds from the sale of the State's bonds, notes or other evidences of indebtedness, if any, to be used to pay principal of the Junior Subordinate Bonds (such as principal on the Notes) on a Principal Payment Date (unless those proceeds are deposited into an Escrow Account) or other funds provided by the State.

To provide for the payment of each installment of principal which falls due upon such series of Junior Subordinate Bonds prior to the due date, the Trustee shall make deposits from the Revenue Fund only as directed by a Supplemental Resolution or State Certificate.

The 2000 Notes Supplemental Resolution authorizing the Notes provides that deposits of Petroleum Inspection Fees into the Junior Subordinate Principal Account are required to be made if there is a default by the State in the payment of principal on any Note on its Extended Maturity Date. The Trustee is required from that time forward to make transfers from the Revenue Fund to the Junior Subordinate Principal Account to aggregate the full amount due to holders of the Note. The amount of these transfers are limited to the amount of Petroleum Inspection Fees deposited into the Revenue Fund and not transferred to Funds and Accounts that are senior to that of the Junior Subordinate Principal Account. Prior to any default by the State, discretionary deposits of Petroleum Inspection Fees may be made at any time into the Junior Subordinate Principal Account. These deposits may be applied to reduce the outstanding principal balance of the Notes while they are outstanding.

The moneys in the Junior Subordinate Principal Account required for the payment of Junior Subordinate Bonds on the maturity date (after taking into account any authorized extension of maturity or any acceleration of maturity) shall be transferred to the Paying Agent for such series of Junior Subordinate Bonds and applied by the Paying Agent to such payment when due without further authorization or direction.

When the balance in the Junior Subordinate Principal Account is not sufficient to pay all amounts payable therefrom on such date, the Trustee shall make periodic deposits from the Revenue Fund, prior to making any deposits to the Program Fund, to aggregate the full amount due on such maturity date from such date to the date of payment, *pro rata*, among such obligations based upon such amounts then owing to Holders of the Junior Subordinate Bonds.

The Program Resolution may be amended to establish Funds and Accounts that are senior in priority to the Junior Subordinate Principal Account.

Program Fund

Any amount in the Revenue Fund that is not required to be transferred to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or any Fund created with respect to a Subordinate class of Bonds or Other Obligations will be transferred to the Program Fund.

Amounts that the State designates will be deposited in the Program Expense Account and will be disbursed for costs of the program of Bond issuance. Money in the Program Fund may be transferred to the Redemption Fund or the Junior Subordinate Redemption Fund, transferred to the Rate Stabilization Fund, or used for the purchase of Bonds. Money in the Program Fund may also be applied to any purpose permitted by law.

Investments

Money in any Fund or Account may be invested in Permitted Investments that mature or are redeemable at the option of the holder before the money is needed for the purpose for which it is held.

Pledge and Security Interest

The Building Commission has pledged the Petroleum Inspection Fees to the payment of the Bonds and Other Obligations. The Wisconsin Statutes create a security interest, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Revenue Fund, the Redemption Fund, the Reserve Fund, and the Rate Stabilization Fund.

Nonimpairment

The Program Resolution and each Supplemental Resolution will constitute a contract with the Holders of the Bonds and the other Beneficiaries. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged and the Other Obligations are fully discharged or provided for.

Rating

The State covenants that it will, at all times Bonds are Outstanding, request at least one nationally recognized securities rating agency to maintain a rating on the Bonds.

Termination

If the State pays the principal, premium, if any, and interest payable upon any Bond, the Bond will no longer be entitled to any benefit under the Program Resolution. If all Bonds and Other Obligations are paid and all expenses of the Fiduciaries have been paid, or are deemed to be paid, the pledge of the Petroleum Inspection Fees and the security interest in the Funds and Accounts will cease.

Any Outstanding Bond will be deemed to be paid when there shall have been deposited (in an Escrow Account) either moneys in an amount which, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money sufficient to pay when due the principal of and premium, if any, and interest due and to become due on the Bond at or prior to the stated maturity thereof.

Events of Default

If any of the following events occur, it constitutes an Event of Default:

- Default in the due and punctual payment of any interest on any Bond.
- Default in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity or a redemption date.

- Default by the State in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests in a Bond) on a Tender Date.
- Default in the due and punctual payment of any amount owed by the State to any Other Beneficiary under a Swap Agreement or Credit Enhancement Facility.
- Default in the performance of any of the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund, or the Redemption Fund of the most senior class then Outstanding as required by the Program Resolution and such default shall have continued for a period of 30 days.
- Default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State contained in the Program Resolution, or in the Senior Bonds, and such default shall have continued for a period of 30 days after written notice; *provided* that, except with respect to the State's arbitrage rebate covenants, if the default is such that it can be corrected, but not within such 30 days, it shall not constitute an Event of Default if corrective action is instituted by the State within such 30 days and is diligently pursued until the default is corrected.

Acceleration

Whenever any Event of Default has occurred and is continuing, the Trustee may, and upon the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds of the pertinent class), the Trustee shall, by notice in writing delivered to the State, declare the principal of and interest accrued on all Bonds then Outstanding due and payable.

Before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if there has been paid to or deposited with the Trustee by or for the account of the State, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

- All overdue installments of interest on all Bonds of the most senior class Outstanding.
- The principal of (and premium, if any, on) any Bonds of the most senior class Outstanding which have become due otherwise than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Bonds.
- To the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Bonds of the most senior class Outstanding at the rate or rates borne by such Bonds.
- All Other Obligations on a parity with Bonds of the most senior class Outstanding which have become due other than as a direct result of such declaration of acceleration.
- All other sums required to be paid to satisfy the State's obligations to transmit money to be credited to the Revenue Fund, the Rebate Fund and the redemption fund established for payment of Bonds of the most senior class Outstanding as required by the Program Resolution.
- All sums paid or advanced by the Trustee or any other Fiduciary under the Program Resolution and the reasonable compensation, expenses, disbursements and advances of the Trustee or other Fiduciaries, their agents, and their counsel.

Similarly, before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default may rescind and annul such declaration and its consequences if all Events of Default, other than the non-payment of the principal of Bonds of the most senior class Outstanding or Other Obligations on a parity with Bonds of the most senior class Outstanding which have become due solely by, or as a direct result of, such declaration of acceleration, have been cured or waived.

No rescission and annulment will affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Beneficiaries

If an Event of Default has occurred and is continuing, the Trustee may bring legal proceedings to collect money due or to enforce the covenants made by the State.

If an Event of Default has occurred and is continuing, and if it is requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be a majority of the aggregate Principal Amount of Outstanding Bonds) or any Other Beneficiary and is indemnified, the Trustee will be obliged to exercise such of the rights and powers as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries.

If a default occurs under a Swap Agreement or a Credit Enhancement Facility, the Other Beneficiary may exercise such remedies as are provided therein.

Remedies are not exclusive, and delay in acting is not a waiver.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee with respect thereto, be applied as follows (except that money received with respect to Credit Enhancement Facilities shall be applied only to the purposes for which such Credit Enhancement Facilities were provided, and shall be so applied prior to the application of other money):

(A) In every case, the Trustee shall apply the amounts to each class in order of priority, namely, Senior Bonds and Senior Other Obligations shall be paid in full before any payment shall be made with respect to Junior Subordinate Bonds and Junior Subordinate Other Obligations.

(B) Unless the principal of all the Outstanding Bonds of a particular class shall have become or shall have been declared due and payable, all such money will be applied to the payment to the Beneficiaries of all installments of principal and interest then due on the Bonds and all Other Obligations, and if the amount available is not sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders and to each Other Beneficiary, without any discrimination or preference (being applied first to interest and then to principal).

(C) If the principal of all Outstanding Bonds of a particular class shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded, all such moneys will be applied to the payment to the Beneficiaries of the principal and interest then due and unpaid upon the Bonds and all Other Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Beneficiary over any Other Beneficiary, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

(D) If the principal of all the Outstanding Bonds of a particular class shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then (subject to the provisions of paragraph (C) above, in the event that the principal of all the Outstanding Bonds shall later become or be declared

due and payable) the money held by the Trustee hereunder will be applied in accordance with the provisions of paragraph (B) above.

Whenever money is to be applied by the Trustee as described above, the money will be applied by it when the Trustee determines, having due regard to the amount of such money available and the likelihood of additional money becoming available in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposits with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Limitation on Suits by Beneficiaries

Except as may be permitted in a Supplemental Resolution with respect to an Other Beneficiary, no Holder of any Bond or Other Beneficiary shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Program Resolution or for the execution of any trust or for the appointment of a receiver or any other remedy unless all of the following conditions apply:

- An Event of Default shall have occurred and be continuing.
- The Acting Beneficiaries Upon Default (and for this purpose the specified percentage shall be 25% of the aggregate Principal Amount of Outstanding Bonds) shall have made written request to the Trustee.
- Such Beneficiary or Beneficiaries shall have offered to the Trustee indemnity.
- The Trustee shall have thereafter failed for a period of 60 days after the receipt of the request and indemnification or refused to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its own name.
- No direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by such Acting Beneficiaries Upon Default

No one or more Holders of the Bonds or any Other Beneficiary shall have any right in any manner whatsoever to affect, disturb, or prejudice the security interest created in the Revenue Fund, the Redemption Fund, the Rate Stabilization Fund, the Reserve Fund, and the Junior Subordinate Redemption Fund or to enforce any right except in the manner provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Program Resolution and for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the Program Resolution as their interests may appear hereunder. The Acting Beneficiaries Upon Default may institute any suit, action, or proceeding permitted hereunder in their own names for the benefit of the Holders of all Outstanding Senior Bonds and Other Beneficiaries under the Program Resolution.

Supplemental Resolutions Without Holder Consent

The Building Commission may, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions as follows:

- To cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; *provided*, that no such action shall adversely affect the interests of the Beneficiaries who have not consented thereto.
- To add other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.

- To issue a particular series of Senior Bonds or enter into a Swap Agreement or obtain a Credit Enhancement Facility and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Senior Bonds, or Other Obligations and to establish assumptions for computing the Debt Service obligations with respect thereto.
- To cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939.
- To provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository.
- To make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, and which shall not adversely affect the interests of the Beneficiaries who have not consented thereto.
- To provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Revenue Payment Date prior to transfer of such amounts to the Junior Subordinate Redemption Fund, but only after all transfers therefrom to the Rebate Fund, the Redemption Fund, the Reserve Fund, the Rate Stabilization Fund, or the creation of one or more subordinate classes of Bonds payable solely from Funds and Accounts created under that or another Supplemental Resolution; *provided*, that no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Senior Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby.
- To modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series and affects only (1) the Holders of such Bonds and (2) any other Beneficiaries who have consented thereto.
- To modify, alter, amend, or supplement the Program Resolution in any other respect so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Bonds will be reduced or withdrawn as a result of such modification, alteration, amendment, or supplement, as evidenced by written confirmations thereof delivered from each Rating Agency.

In connection with the adoption of any Supplemental Resolution without Bondholder consent, the Trustee must be given an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on the Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions With Holder Consent

The Building Commission may, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. No Supplemental Resolution, however, may permit any of the following:

- An extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken.
- The creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation.
- A reduction in the aggregate principal amount of Bonds the Holders of which are required to consent, or the elimination of a requirement that any Other Beneficiary consent, to any Supplemental Resolution without the consent of the Holders of all Bonds at the time Outstanding, and any Other Beneficiary which would be affected by the action to be taken.
- A modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or Fiduciary.
- The creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary.

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APPENDIX D

AUDITED FINANCIAL STATEMENT

The following is the auditor's report and financial statement for the Petroleum Inspection Fee Revenue Obligations Program as of June 30, 2001.

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AN AUDIT

*Petroleum Inspection Fee
Revenue Obligations Program*

01-19

November 2001

2001-2002 Joint Legislative Audit Committee Members

Senate Members:

Gary R. George, Co-chairperson
Judith Robson
Brian Burke
Joanne Huelsman
Mary Lazich

Assembly Members:

Joseph K. Leibham, Co-chairperson
Samantha Starzyk
John Gard
David Cullen
Barbara Gronemus

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The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to Leg.Audit.Info@legis.state.wi.us. Electronic copies of current reports are available on line at www.legis.state.wi.us/lab/windex.htm.

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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November 29, 2001

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

At the request of the departments of Commerce and Administration, and to meet our audit responsibilities under s. 13.94, Wis. Stats., we have completed a financial audit of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the period July 1, 2000 through June 30, 2001. We were able to express our unqualified opinion on the Program's Statement of Changes in Program Assets and related notes.

The Petroleum Inspection Fee Revenue Obligations Program provides financing for payment of claims under the Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program. As of December 31, 1999, there was a backlog of \$196 million in approved but unpaid PECFA claims. To reduce this backlog, the Legislature, through 1999 Wisconsin Act 9, authorized the State to issue \$270 million of revenue obligations to be repaid by a \$0.03 per gallon fee charged suppliers for petroleum products sold in Wisconsin. These revenue obligations, which may include bonds, commercial paper, or other obligations, are not general obligations of the State.

Between March 2, 2000, when the Petroleum Inspection Fee Revenue Obligations Program started, and June 30, 2001, the State issued \$250.25 million of revenue obligations. Proceeds from the sale of this debt, along with petroleum inspection fees collected from suppliers in excess of debt service requirements, allowed the State to reduce the backlog and, as of June 30, 2001, there was a backlog of less than \$15 million in approved but unpaid PECFA claims.

However, the Department of Commerce continues to receive PECFA reimbursement claims and, as of June 30, 2001, it had not yet reviewed and approved over \$20 million in claims. In addition, the Department estimates that land owners have yet to submit claims for at least \$200 million for costs that they have already incurred. In order to provide funds to pay additional claims, the Legislature, through 2001 Wisconsin Act 16, authorized the issuance of \$72 million of additional revenue obligations. Based on this increased bonding authority, the State plans to issue \$30 million of additional Petroleum Inspection Revenue Bonds in December 2001.

We appreciate the courtesy and cooperation extended to us during the audit by staff of the departments of Commerce, Administration, and Revenue.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller
State Auditor

JM/BN/ss

Independent Auditor's Report on the Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program

We have audited the accompanying Statement of Changes in Program Assets of the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the year ended June 30, 2001. This financial statement is the responsibility of the program's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Statement of Changes in Program Assets presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial position and activity of the State of Wisconsin.


As described in Note 2, to provide a meaningful presentation to bondholders and noteholders regarding resources available to pay debt service, the program's policy is to prepare its financial statement on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the Statement of Changes in Program Assets presents fairly, in all material respects, the Petroleum Inspection Fee Revenue Obligations Program's assets as of June 30, 2001, and the receipts and disbursements of the program for the period from July 1, 2000 through June 30, 2001, on the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2001, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU

November 26, 2001

by 
Bryan Naab
Audit Director

State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program
Statement of Changes in Program Assets
for the Fiscal Year Ended June 30, 2001

Program Assets, July 1, 2000 \$ 29,826,342

Receipts

Proceeds from Sale of Bonds	\$	0	
Proceeds from Sale of Extendible Municipal Commercial Paper		20,000,000	
Petroleum Inspection Fees Remitted by the State of Wisconsin to the Trustee	\$	114,303,667	
Less: Petroleum Inspection Fees Transferred from the Trustee to the State of Wisconsin Petroleum Inspection Fund		<u>(100,658,894)</u>	
Petroleum Inspection Fees Retained by the Trustee		13,644,773	
Interest and Investment Income		<u>538,584</u>	
Total Receipts			<u>34,183,357</u>
Total Program Assets Available			<u>64,009,699</u>

Disbursements

Transfers to the State of Wisconsin for Payment of Petroleum Environmental Cleanup Fund Award Claims		43,694,566	
Debt Service (see Note 4):			
Senior Debt Service—Principal	1,750,000		
Senior Debt Service—Interest	10,930,084		
Junior Subordinate Debt Service—Principal	<u>0</u>		
Total Debt Service		12,680,084	
Debt Issuance Costs		12,414	
Other Costs		<u>62,912</u>	
Total Disbursements			<u>56,449,976</u>
Program Assets Reserved for Debt Service		7,557,736	
Unreserved Program Assets		<u>1,987</u>	
Program Assets, June 30, 2001			<u><u>\$ 7,559,723</u></u>

The accompanying notes are an integral part of this statement.

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1. Description of the Program

The State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program originated in January 2000, pursuant to the State of Wisconsin Building Commission Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, adopted on January 19, 2000 and amended and restated on May 2, 2000 (the Program Resolution). The purpose of the program is to provide financing for the payment of claims under the State of Wisconsin Petroleum Environmental Cleanup Fund Award (PECFA) program, which is administered by the State of Wisconsin Department of Commerce.

The Program Resolution establishes special trust funds and accounts and fiduciary responsibilities that are to be undertaken by a corporate trustee for the benefit of the bondholders, extendible municipal commercial paper noteholders, and holders of any other obligations that may be issued. The Bank of New York has been appointed as the trustee for the revenue obligations. The trustee is responsible for maintaining the trust funds in accordance with the Program Resolution, which requires investments of trust fund balances to be in accordance with directives established by the Program Resolution. The Bank of New York is also the registrar and paying agent for revenue bonds. The U.S. Bank Trust National Association is the issuing and paying agent and registrar for extendible municipal commercial paper.

Pursuant to the Program Resolution, the State of Wisconsin issued \$170,250,000 of 2000 Series A Petroleum Inspection Fee Revenue Bonds and \$60,000,000 of Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper during fiscal year (FY) 1999-2000, and an additional \$20,000,000 of Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper during FY 2000-01. Revenue bond and extendible municipal commercial paper proceeds are held by the trustee until the Department of Commerce requests the trustee to remit specific amounts to the State to pay PECFA claims.

The petroleum inspection fee revenue obligations are payable from, and primarily secured by, petroleum inspection fees that result from a \$0.03 per gallon fee charged suppliers for petroleum products received for sale in Wisconsin. The petroleum inspection fees are paid monthly by suppliers to the State of Wisconsin Department of Revenue, which subsequently forwards the fees to the revenue obligations trustee. All revenues and assets of the program are restricted for the purposes provided by the Program Resolution under which the revenue obligations are issued. The trustee transfers fees in excess of the amount needed to meet bond redemption and debt service requirements to the State of Wisconsin Petroleum Inspection Fund. The Department of Commerce uses the transferred fees to pay PECFA claims, administrative costs, and other costs.

The financial statement presents only the Petroleum Inspection Fee Revenue Obligations Program and is not intended to present fairly the financial position and activity of the State of Wisconsin.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program presents the program's receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded when paid. The program's assets may include cash, consisting of demand deposits held by the Bank of New York and the U.S. Bank Trust National Association, and investments. The financial position and activity of the program is presented on the cash basis of accounting to provide a meaningful presentation to bondholders and extendible municipal commercial paper noteholders regarding resources available to pay debt service.

Unreserved Program Assets - Program assets in excess of those reserved for debt service are reported as Unreserved Program Assets. The program's unreserved assets are available to pay PECFA claims, debt issuance costs, or administrative costs of the program. Periodically, the State requests the trustee to remit the program's unreserved assets to the State to pay for these costs.

3. Deposits and Investments

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

Beginning with the initial sale of the Petroleum Inspection Fee Revenue Bonds on March 2, 2000, through the end of the fiscal year ended June 30, 2001, the trustee maintained the Petroleum Inspection Fee Revenue Obligations Program's funds either in demand deposit accounts with the Bank of New York and the U.S. Bank Trust National Association or in investments consisting of U.S. Treasury Bills.

As of June 30, 2001, the program's assets totaled \$7,559,723 in cash, which was held in demand deposit accounts. Of this balance, \$200,000 was covered by FDIC insurance and is categorized as risk category 1 deposits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3. The remaining \$7,359,723 is not insured or collateralized and, therefore, is categorized as risk category 3.

Of the Program Assets of \$7,559,723 as of June 30, 2001, \$7,557,736 was reserved for debt service. The remaining \$1,987 was reported as Unreserved Program Assets.

4. Revenue Bonds and Extendible Municipal Commercial Paper

The Program's revenue obligations are issued pursuant to Subchapter II of Chapter 18 of Wisconsin Statutes; s. 101.143(9m), Wis. Stats.; and the Program Resolution and supplemental resolutions adopted by the State of Wisconsin Building Commission. The revenue obligations are payable from, and primarily secured by, petroleum inspection fees that suppliers are charged on all petroleum products received for sale in Wisconsin, as received by the trustee (see note 5). The revenue obligations are not general obligations of the State.

On March 2, 2000, the State issued \$170,250,000 of State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2000 Series A, which are senior bonds that bore interest at rates from 5.00 percent to 6.00 percent, payable semiannually on July 1 and January 1. During FY 2000-01, \$1,750,000 of the bonds matured. The remaining \$168,500,000 of bonds mature in annual scheduled installments from July 1, 2002 to July 1, 2012. Prior to their maturity, the bonds are subject to optional redemption on or after July 1, 2005, at prices ranging from 102 to 100 percent of the face value plus accrued interest.

As of June 30, 2001, the future debt service for the Petroleum Inspection Fee Revenue Bonds, 2000 Series A, was \$236,232,553, consisting of \$168,500,000 in principal and \$67,732,553 in interest. The bond redemption and debt service requirements for the Petroleum Inspection Fee Revenue Bonds, 2000 Series A, in the years subsequent to June 30, 2001, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u> <u>Debt Service</u>
2002	\$ 0	\$ 9,600,240	\$ 9,600,240
2003	11,440,000	9,285,640	20,725,640
2004	12,070,000	8,639,115	20,709,115
2005	12,735,000	7,925,140	20,660,140
2006	13,495,000	7,138,240	20,633,240
2007	14,305,000	6,329,884	20,634,884
2008	15,115,000	5,491,821	20,606,821
2009	15,980,000	4,604,840	20,584,840
2010	16,885,000	3,696,520	20,581,520
2011	17,800,000	2,743,875	20,543,875
2012	18,790,000	1,700,400	20,490,400
2013	<u>19,885,000</u>	<u>576,838</u>	<u>20,461,838</u>
Totals	\$168,500,000	\$67,732,553	\$236,232,553

The program may also issue extendible municipal commercial paper, which may have maturities from 1 to 180 days and is not callable prior to maturity. The principal of and interest on the extendible municipal commercial paper will be paid at maturity unless the State exercises its option to extend the maturity date to a date that is up to 270 days after the original issue date. New (“roll-over”) extendible municipal commercial paper may be issued to pay the principal due on maturing extendible municipal commercial paper. Each note bears interest from its date of issuance, at the rate determined on the date of issuance.

Interest payments on extendible municipal commercial paper are on a parity with the payments on the senior bonds. Principal on extendible municipal commercial paper has a junior subordinate pledge and is payable from proceeds of rollover notes, issuance of refunding senior bonds, certain moneys held by the trustee, or other funds made available by the State for this purpose.

As of June 30, 2001, \$80,000,000 in outstanding extendible municipal commercial paper had interest rates ranging from 2.9 percent to 3.2 percent, and maturities ranging from July 2, 2001 to September 6, 2001.

Additional series of senior bonds may be issued on a parity with the current bond series outstanding and collateralized by an equal lien on the petroleum inspection fees. However, no additional series, other than refunding bonds, may be issued unless, among other things, the debt service coverage ratio, as defined in the Program Resolution, is at least 2.0.

Each month that variable rate debt, such as the extendible municipal commercial paper, is outstanding, the State is required by the Program Resolution to provide to the trustee a certificate setting forth the State’s “variable rate takeout capacity” and “variable rate debt exposure.” The “variable rate takeout capacity” measures the State’s ability, given certain conservative interest rate assumptions, to convert variable rate debt to fixed rate debt. “Variable rate debt exposure” measures the State’s outstanding variable rate debt. This certification was required and performed each month during FY 2000-01. Because the State’s ability to convert variable rate debt to fixed rate debt was higher than the amount of variable rate debt outstanding each month, the State needed to take no further action.

5. Petroleum Inspection Fees

Petroleum inspection fees result from a \$0.03 per gallon fee imposed by the State under s. 168.12(1), Wis. Stats., on suppliers for all petroleum products received for sale in Wisconsin. The fees are paid to the State of Wisconsin Department of Revenue by suppliers along with motor fuel taxes. The Department of Revenue determines the amount collected for the fees and remits it to the program trustee on a monthly basis. The trustee transfers the fees in excess of the amount needed

to service the bond redemption and debt service requirements to the State of Wisconsin Petroleum Inspection Fund, free of the first lien pledge of the Program Resolution. The Department of Commerce uses the net fees to pay PECFA claims, PECFA program administrative costs, and other costs.

From July 1, 2000 through June 30, 2001, the following amounts of petroleum inspection fees were remitted by the State of Wisconsin Department of Revenue to the trustee, retained by the trustee to meet debt service requirements of the Program, and transferred by the trustee to the State of Wisconsin Petroleum Inspection Fund.

<u>Month</u>	<u>Fees Remitted by the State to the Trustee</u>	<u>Fees Retained by the Trustee</u>	<u>Fees Transferred by the Trustee to the State</u>
July 2000	\$ 11,017,557	\$ 1,058,020	\$ 9,959,537
August	9,805,668	1,041,020	8,764,648
September	9,581,492	1,041,020	8,540,472
October	10,422,248	994,520	9,427,728
November	8,887,756	992,020	7,895,736
December	9,563,479	1,092,020	8,471,459
January 2001	8,965,158	1,092,020	7,873,138
February	10,047,622	1,117,020	8,930,602
March	9,662,194	1,092,020	8,570,174
April	8,185,362	1,092,020	7,093,342
May	9,311,493	1,103,520	8,207,973
June	<u>8,853,638</u>	<u>1,929,553</u>	<u>6,924,085</u>
Total	\$114,303,667	\$13,644,773	\$100,658,894

The above table presents the inspection fees on a cash basis. For purposes of additional analysis, the table below presents the petroleum inspection fees on the modified accrual basis of accounting as reported in the State's comprehensive annual financial reports for the five most recent prior fiscal years. These modified accrual amounts represent the fees earned during each fiscal year, a portion of which may not have been collected in cash until up to 60 days after the end of the fiscal year.

<u>Fiscal Year</u>	<u>Fees Earned</u>
1999-2000	\$111,564,000
1998-99	110,742,000
1997-98	103,842,000
1996-97	105,761,000
1995-96	104,882,000

6. Debt Service Coverage Ratio for Senior Debt

There are alternative methods to calculate debt service coverage. For purposes of additional analysis, the debt service coverage ratio for senior debt for FY 2000-01 provided below is the ratio of petroleum inspection fees remitted to the trustee during FY 2000-01, divided by the senior debt service payments made during the fiscal year.

Debt Service Coverage Ratio for Senior Debt
Fiscal Year 2000-01

Fees Remitted to the Trustee		\$114,303,667
Senior Debt Service:		
Principal—Bonds	\$ 1,750,000	
Interest—Bonds	8,002,456	
Interest—Commercial Paper	<u>2,927,628</u>	
Total Senior Debt Service		\$ 12,680,084
Debt Service Coverage Ratio for Senior Debt		9.01

7. Contingencies and Commitments

In addition to the \$250,250,000 of petroleum inspection fee revenue obligations issued through June 30, 2001, Wisconsin Statutes authorized the program to issue additional revenue obligations of \$20,160,000 plus an additional amount to pay issuance and administrative costs, make any necessary deposits to a reserve fund, or pay accrued or capitalized interest. Further, the Building Commission has authorized the program to issue revenue bonds to refund any or all of the outstanding extendible municipal commercial paper.

The Petroleum Inspection Fee Revenue Obligations Program was established and the program's bonds and extendible municipal commercial paper were issued to reduce a backlog that had accumulated because approved PECFA claims significantly exceeded the petroleum inspection fee revenues available to pay the claims. The bonds and commercial paper sold during FY 1999-2000, along with petroleum inspection fees collected during that year, provided funding to reduce the backlog of approved but unpaid PECFA claims from \$195.5 million to \$15.8 million as of June 30, 2000.

The following table summarizes the activity related to PECFA claims during FY 2000-01.

Summary of PECFA Claims
July 1, 2000 through June 30, 2001
(in millions)

Approved but Unpaid PECFA Claims as of June 30, 2000		\$ 15.8
Claims Approved for Payment July 1, 2000–June 30, 2001		123.2
Less Claims Paid:		
Paid from proceeds of revenue obligations and interest and investment income	\$43.7	
Paid from net petroleum inspection fees	<u>80.7</u>	<u>124.4</u>
Approved but Unpaid PECFA Claims as of June 30, 2001		\$ 14.6

In addition to the \$14.6 million in approved claims waiting for payment as of June 30, 2001, approximately \$20.3 million of claims submitted to the Department of Commerce had yet to be reviewed and approved. There is also a substantial number of claims that were not submitted to the Department as of June 30, 2001, for costs that landowners had already incurred as of that date. The Department estimates that the unsubmitted claims total at least \$200 million. In addition, the Department estimates that an additional \$4 million in liabilities may exist related to claimants appealing the Department’s determinations on previously finalized claims.

The Department expects new PECFA claims received to continue to exceed the amount of petroleum inspection fees available to pay them. As a result, the State may issue additional revenue obligations to reduce or prevent increases in the backlog.

8. Subsequent Events

In 2001 Wisconsin Act 16, which was enacted on August 30, 2001, the Legislature increased the amount of revenue obligations that may be issued from \$270 million to \$342 million plus an additional amount to pay issuance and administrative costs, make any necessary deposits to a reserve fund, or pay accrued or capitalized interest. As a result of this increased issuance authority, plus the \$20,160,000 available authority as of June 30, 2001, the State was authorized to issue up to \$92,160,000 in additional petroleum inspection fee revenue obligations to pay PECFA claims.

On September 19, 2001, the Building Commission authorized the issuance of up to \$94,250,000 of additional Petroleum Inspection Revenue Bonds to pay approved PECFA claims of \$92,160,000 and to provide \$2,090,000 to pay issuance and administrative costs, make any necessary deposits to a reserve fund, or to pay accrued or capitalized interest.

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

We have audited the cash-basis Statement of Changes in Program Assets of the Petroleum Inspection Fee Revenue Obligations Program for the year ended June 30, 2001, and have issued our report thereon dated November 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the program's Statement of Changes in Program Assets is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.


Internal Control over Financial Reporting

In planning and performing our audit, we considered the program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Changes in Program Assets and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This independent auditor's report is intended for the information and use of the program's management and the Wisconsin Legislature's Joint Legislative Audit Committee. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

November 26, 2001

by 
Bryan Naab
Audit Director

Appendix E

FORM OF BOND COUNSEL OPINION

Upon delivery of the 2001 Series A Bonds, it is expected that Foley & Lardner will deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner)

\$30,000,000

STATE OF WISCONSIN

PETROLEUM INSPECTION FEE REVENUE BONDS, 2001 SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$30,000,000 Petroleum Inspection Fee Revenue Bonds, 2001 Series A, dated December 18, 2001 (**Bonds**). The Bonds are being issued pursuant to Subchapter II of Chapter 18, Wisconsin Statutes (**Revenue Obligations Act**) and an amended and restated program resolution adopted by the State of Wisconsin Building Commission (**Commission**) on May 2, 2000 (**Program Resolution**) and as supplemented by a supplemental resolution adopted by the Commission on September 19, 2001 (**Supplemental Resolution**).

Under the Program Resolution, the Commission has also established various funds and accounts and designated The Bank of New York, as trustee (**Trustee**), to be the custodian of the funds and accounts. The Commission has pledged, for the payment of the principal of, premium, if any, and interest on the Bonds when due, the fees imposed under Section 168.12 (1) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the Wisconsin Statutes. The Commission has directed the Trustee to deposit the amounts into the funds and accounts in the order and amounts provided in the Program Resolution. The Bonds are payable solely from cash and securities held by the Trustee from time to time in the redemption fund created under the Program Resolution (**Pledged Revenues**).

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

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

1. Both the Program Resolution and the Supplemental Resolution have been duly adopted by the Commission.
2. The Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, is valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of interest on obligations previously issued and outstanding under the Program Resolution from gross income for federal income tax purposes.
3. The Program Resolution creates a valid lien on the Pledged Revenues.
4. The Bonds have been duly authorized, executed, and delivered by the State and are valid and binding limited obligations of the State, payable solely from the Pledged Revenues
5. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in

determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date the Bonds were issued. This letter expresses no opinion as to other federal tax law consequences regarding the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

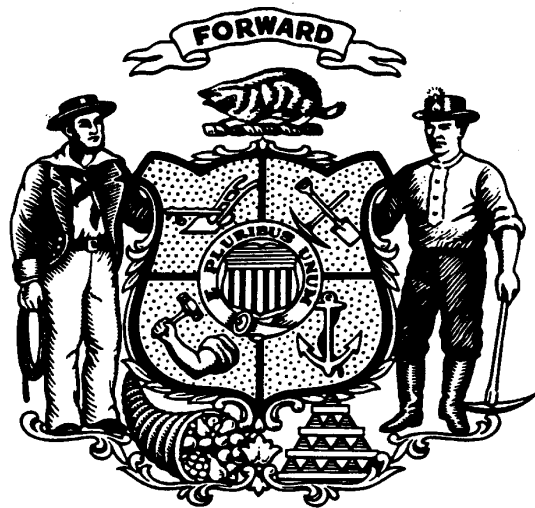
We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters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

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

Very truly yours,

FOLEY & LARDNER

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Bond Insurance

Concurrently with the issuance of the State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A (**2001 Series A Bonds**), Financial Guaranty Insurance Company (**Financial Guaranty**) will issue its Municipal Bond New Issue Insurance Policy for the 2001 Series A Bonds (**Policy**). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the 2001 Series A Bonds which has become due for payment but shall be unpaid by reason of nonpayment by the issuer of the 2001 Series A Bonds (**Issuer**). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (**Fiscal Agent**), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of 2001 Series A Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a 2001 Series A Bond includes any payment of principal or interest made to an owner of a 2001 Series A Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the 2001 Series A Bonds. The Policy covers failure to pay principal of the 2001 Series A Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the 2001 Series A Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (1) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (2) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the 2001 Series A Bonds are set forth in the description of the principal legal documents appearing elsewhere in the Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

The Official Statement and this Notice of Bond Insurance both contain a section or discussion regarding the ratings assigned to the 2001 Series A Bonds, and reference should be made to such sections for a discussion of such ratings and the basis for their assignment to the 2001 Series A Bonds. Reference should be made to the Official Statement for a discussion of the underlying ratings assigned to outstanding parity bonds that are not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (**Corporation**), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation (**GE Capital**). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2001, the total capital and surplus of Financial Guaranty was approximately \$1.033 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).