

## OFFICIAL STATEMENT

### New Issue

This Official Statement has been prepared by the State of Wisconsin and provides information on the 2001 Series 1 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision. Unless otherwise indicated, capitalized terms are defined in **APPENDIX C**.

# \$70,000,000 STATE OF WISCONSIN CLEAN WATER REVENUE BONDS, 2001 SERIES 1

**Dated: April 1, 2001**

**Due: June 1, as shown below**

<b>Ratings</b>	AA+ Fitch Aa2 Moody's Investors Service, Inc. AA+ Standard & Poor's Ratings Services
<b>Tax Exemption</b>	Interest on the 2001 Series 1 Bonds is, for federal income tax purposes, excluded from gross income and is not an item of tax preference but is subject to State of Wisconsin income and franchise taxes— <i>Pages 10-12</i> .
<b>Redemption</b>	The 2001 Series 1 Bonds maturing on or after June 1, 2012 are callable at par on or after June 1, 2011— <i>Page 4</i> .
<b>Security</b>	The 2001 Series 1 Bonds are payable solely from (1) Loan repayments, (2) the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund (which holds general obligation bonds of the State), and (3) all other Pledged Receipts— <i>Page 3</i> .
<b>Priority</b>	The 2001 Series 1 Bonds are issued on a parity with all other bonds previously or hereafter issued under the General Resolution — <i>Page 3</i> .
<b>Purpose</b>	Proceeds are being used to make loans to Municipalities primarily for construction or improvement of their wastewater treatment facilities and to pay for costs of issuance— <i>Page 7</i> .
<b>Interest Payment Dates</b>	June 1 and December 1, commencing December 1, 2001
<b>Closing/Settlement</b>	On or about April 18, 2001
<b>Denominations</b>	Integral multiples of \$5,000
<b>Trustee/Registrar/Paying Agent</b>	Firstar Bank, National Association
<b>Bond Counsel</b>	Michael Best & Friedrich LLP
<b>Issuer Contact</b>	Wisconsin Capital Finance Office—(608) 266-2305; <a href="mailto:capfin@doa.state.wi.us">capfin@doa.state.wi.us</a>
<b>Book-Entry-Only Form</b>	The Depository Trust Company— <i>Pages 5-7</i>
<b>2000 Annual Report</b>	This Official Statement incorporates by reference Parts I, II, and VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000.

The 2001 Series 1 Bonds were sold at competitive sale on April 4, 2001. The interest rates payable by the State, which are shown below, resulted from the award of the 2001 Series 1 Bonds.

CUSIP	Year (June 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price
977092 GR0	2002	\$ 2,310,000	4.50%	Not Callable	-
977092 GS8	2003	2,390,000	4.50	Not Callable	-
977092 GT6	2004	2,475,000	4.50	Not Callable	-
977092 GU3	2005	2,570,000	4.50	Not Callable	-
977092 GV1	2006	2,665,000	4.50	Not Callable	-
977092 GW9	2007	2,770,000	4.50	Not Callable	-
977092 GX7	2008	2,885,000	4.50	Not Callable	-
977092 GY5	2009	3,005,000	4.50	Not Callable	-
977092 GZ2	2010	3,130,000	4.50	Not Callable	-
977092 HA6	2011	3,265,000	4.50	Not Callable	-
977092 HB4	2012	3,410,000	5.00	6/1/2011	100%
977092 HC2	2013	3,565,000	5.25	6/1/2011	100
977092 HD0	2014	3,735,000	5.25	6/1/2011	100
977092 HE8	2015	3,910,000	5.25	6/1/2011	100
977092 HF5	2016	4,100,000	5.25	6/1/2011	100
977092 HG3	2017	4,305,000	5.00	6/1/2011	100
977092 HH1	2018	4,520,000	5.00	6/1/2011	100
977092 HJ7	2019	4,750,000	5.00	6/1/2011	100
977092 HK4	2020	4,990,000	5.00	6/1/2011	100
977092 HL2	2021	5,250,000	5.00	6/1/2011	100

**Purchase Price: \$70,637,362.30**

April 4, 2001

This document is the “official” statement—that is, it contains the only authorized information about the offering of the 2001 Series 1 Bonds. This document isn’t an offer or solicitation for the 2001 Series 1 Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document isn’t 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 1 Bonds, and anything else related to the offering.

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

The estimates, forecasts, projections, and opinions in this document aren’t 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 1 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the 2001 Series 1 Bonds implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

## TABLE OF CONTENTS

	Page		Page
STATE OFFICIALS PARTICIPATING IN THE		Underwriting.....	8
ISSUANCE AND SALE OF THE		Reference Information About 2001 Series 1 Bonds....	8
2001 SERIES 1 BONDS .....	ii	Legal Investment.....	8
SUMMARY DESCRIPTION OF THE		Certain Legal Matters .....	9
2001 SERIES 1 BONDS .....	iii	Absence of Litigation.....	9
INTRODUCTION.....	1	TAX MATTERS .....	10
ENVIRONMENTAL IMPROVEMENT FUND.....	1	Certain Requirements Code .....	10
CLEAN WATER FUND PROGRAM .....	2	Opinion of Bond Counsel.....	10
2001 SERIES 1 BONDS .....	2	Certain Additional Federal Tax Consequences .....	11
General.....	2	CONTINUING DISCLOSURE.....	12
Security.....	3	FURTHER INFORMATION .....	13
Redemption Provisions.....	4	APPENDIX A – INFORMATION ABOUT THE	
Ratings .....	4	CLEAN WATER FUND PROGRAM.....	A-1
Payment and Registration of 2001 Series 1 Bonds .	5	APPENDIX B – INFORMATION ABOUT	
Book-Entry-Only Form.....	6	THE STATE.....	B-1
PLAN OF FINANCE .....	7	APPENDIX C – DEFINITIONS OF CERTAIN	
Sources and Uses of Funds .....	7	TERMS.....	C-1
Moneys for Leveraged Loan Portfolio.....	7	APPENDIX D – LOAN CREDIT RESERVE FUND	
Subsidy Fund Requirement.....	8	SCHEDULES .....	D-1
LOANS .....	8	APPENDIX E – FORM OF BOND COUNSEL	
OTHER MATTERS .....	8	OPINION.....	E-1
Borrowing Plans for 2001 .....	8		

# STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2001 SERIES 1 BONDS

## BUILDING COMMISSION MEMBERS

<b>Voting Members</b>	<b>Term of Office Expires</b>
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 Vrakus	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
<b>Nonvoting, Advisory Members</b>	
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	—
<b>Building Commission Secretary</b>	
Mr. David P. Schmiedicke (also serves as Administrator, Division of Facilities Development of the 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. Darrell Bazzell, Secretary Department of Natural Resources	At the pleasure of the Governor

## DEBT MANAGEMENT AND DISCLOSURE

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Capital Finance Office  
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## SUMMARY DESCRIPTION OF THE 2001 SERIES 1 BONDS

*Selected information is presented on this page for the convenience of the user. To make an informed decision regarding the 2001 Series 1 Bonds, a prospective investor should read the entire Official Statement. Certain capitalized terms are defined in **APPENDIX C**.*

Description:	State of Wisconsin Clean Water Revenue Bonds, 2001 Series 1
Principal Amount:	\$70,000,000
Denominations:	\$5,000 or integral multiples thereof
Dated Date:	April 1, 2001
Interest Payment:	June 1 and December 1, commencing December 1, 2001
Maturities:	June 1, 2002–2021
Record Date:	May 15 and November 15
Redemption:	<i>Optional</i> —2001 Series 1 Bonds maturing on or after June 1, 2012 are subject to optional redemption at par on or after June 1, 2011—See “ <b>2001 SERIES 1 BONDS; Redemption Provisions</b> ”.
Form:	Book-entry-only form.
Trustee/Paying Agent:	All payments of principal and interest on the 2001 Series 1 Bonds will be paid by Firstar Bank, National Association, as successor to Firstar Trust Company.
Security for Bonds:	<p>The 2001 Series 1 Bonds, and all other parity Bonds previously issued or to be issued in the future, are payable solely from:</p> <ul style="list-style-type: none"> <li>• Loan Repayments,</li> <li>• The Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, each established by the General Resolution, and</li> <li>• All other Pledged Receipts.</li> </ul> <p>The Subsidy Fund currently holds general obligation bonds of the State. Based on Subsidy Fund levels and cash flow calculations as of December 31, 2000, the State is expected to be the source of approximately 19.24 percent of the gross cash flow servicing all Outstanding Bonds. This percentage is not expected to change significantly after all proceeds of the 2001 Series 1 Bonds have been disbursed for Loans—See “<b>2001 SERIES 1 BONDS; Security</b>”.</p>
Outstanding Parity Bonds:	\$545,625,000 as of December 31, 2000.
Authority for Issuance:	The 2001 Series 1 Bonds are authorized under the Wisconsin Statutes.
Purpose:	The 2001 Series 1 Bonds are being issued to make Loans under the Clean Water Fund Program (such Loans having terms not exceeding 20 years and interest rates at or below market interest rates) to Municipalities primarily for the construction or improvement of their wastewater treatment facilities and to pay for costs of issuance—See “ <b>PLAN OF FINANCE</b> ”
Additional Bonds:	Additional Bonds may be issued without limitation as to the amount, subject to any applicable statutory limitation, payable on a parity with the 2001 Series 1 Bonds and all other Bonds previously issued.

**OFFICIAL STATEMENT**  
**\$70,000,000**  
**STATE OF WISCONSIN**  
**CLEAN WATER REVENUE BONDS, 2001 SERIES 1**

**INTRODUCTION**

This Official Statement sets forth information about the \$70,000,000 Clean Water Revenue Bonds, 2001 Series 1 (**2001 Series 1 Bonds**) issued by the State of Wisconsin (**State**). This Official Statement includes by reference Parts I, II, and VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2000 (**2000 Annual Report**).

The 2001 Series 1 Bonds are authorized under the Wisconsin Statutes, a Clean Water Revenue Bond General Resolution (**General Resolution**) adopted by the State of Wisconsin Building Commission (**Commission**) on March 7, 1991, and a **Series Resolution** adopted by the Commission on December 20, 2000. The General Resolution and the Series Resolution are collectively referred to as the **Resolution**.

The Commission has authorized the State Department of Administration (**DOA**) to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated. Requests for additional information 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](mailto:capfin@doa.state.wi.us)

Unless otherwise indicated, capitalized terms are defined in **APPENDIX C**.

**ENVIRONMENTAL IMPROVEMENT FUND**

The Environmental Improvement Fund provides for three separate environmental financing programs.

- **Clean Water Fund Program.** The Clean Water Fund Program is a municipal financial assistance program for wastewater treatment projects, has been in existence since 1990, and includes the State's implementation of a Federal State Revolving Fund Program under the Federal Water Quality Act of 1987.
- **Safe Drinking Water Loan Program.** The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act Amendments of 1996.
- **Land Recycling Loan Program.** The Land Recycling Loan Program is a municipal loan program for remediation of contaminated lands.

The State intends to use proceeds of the 2001 Series 1 Bonds to fund certain loans under the Clean Water Fund Program. If changes occur to Wisconsin Statutes, 2001 Series 1 Bond proceeds

may be used to make loans under the Safe Drinking Water Loan Program. There is currently no legislation pending.

## **CLEAN WATER FUND PROGRAM**

The Clean Water Fund Program makes loans to Municipalities for the construction or improvement of their wastewater treatment facilities. Information concerning the Clean Water Fund Program is included as **APPENDIX A**, which includes by reference Part VI of the 2000 Annual Report. Part VI of the 2000 Annual Report presents the following information on the Clean Water Fund Program; (1) overview, (2) plan of finance, (3) financial assistance, (4) funding levels, (5) capitalization grants, (6) management, and (7) operating agreement with the United States Environmental Protection Agency (**EPA**). Part VI of the 2000 Annual Report also includes the Auditor's report and financial statements as of June 30, 2000 for the Environmental Improvement Fund, which includes the Clean Water Fund Program.

The Clean Water Fund Program is composed of the following:

- **Leveraged Loan Portfolio**, which is funded with 2001 Series 1 Bond and other Bond proceeds,
- **Direct Loan Portfolio**, which is funded with federal capitalization grants and required State match, and
- **Proprietary Loan Portfolio**, which is funded with State general obligation bond proceeds.

Repayments from Leveraged Loans (**Loans**), but not from Direct Loans or Proprietary Loans, are pledged to the repayment of the Bonds.

Direct Loans, Proprietary Loans, and Leveraged Loans are made to Municipalities pursuant to Financial Assistance Agreements. As evidence of each loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality (**Municipal Obligation**) obligating the Municipality to repay the loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. Most loans have been and are expected to be made at interest rates that are below market rates.

## **2001 SERIES 1 BONDS**

### **General**

The **cover of this Official Statement** sets forth the maturity dates, amounts, and interest rates for the 2001 Series 1 Bonds.

The 2001 Series 1 Bonds will be dated April 1, 2001 and will bear interest from that date, payable on June 1 and December 1 of each year, beginning on December 1, 2001.

Interest on the 2001 Series 1 Bonds will be computed on the basis of a 30-day month and a 360-day year. Payment of principal and interest for each 2001 Series 1 Bond will be paid to the registered owner of the 2001 Series 1 Bonds. The 2001 Series 1 Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository-initially, a nominee of The Depository Trust Company, New York, New York (**DTC**).

The 2001 Series 1 Bonds are issued as fully registered bonds without coupons in denominations of \$5,000 or multiples of \$5,000.

Firststar Bank, National Association, as successor to Firststar Trust Company, is the trustee for the Bonds (**Trustee**). In addition, the Trustee is the registrar and paying agent (**Paying Agent**) for the 2000 Series 1 Bonds.

### **Security**

The 2001 Series 1 Bonds are issued on a parity with all other bonds previously or to be issued pursuant to the General Resolution. The 2001 Series 1 Bonds and all other bonds issued under the General Resolution are collectively referred to as the **Bonds**.

The 2001 Series 1 Bonds are the ninth Series of Bonds to be issued under the General Resolution. The legislature has authorized the issuance of \$1.298 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The State has previously issued \$826 million of Bonds, which includes \$186 million of refunding Bonds. As of December 31, 2000, \$546 million of Bonds were outstanding.

The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged under the General Resolution. Debt service on the 2001 Series 1 Bonds and all other parity Bonds is secured by a pledge of:

- Repayment of Loans made to Municipalities.
- Amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund (which holds State general obligation bonds), each established pursuant to the General Resolution.
- All other Pledged Receipts.

*The State is not obligated to pay the principal of, interest on, or redemption price of the 2001 Series 1 Bonds and all other parity Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of, interest on, or redemption price of the Bonds.*

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Loan Credit Reserve Fund Schedules reviewed by no less than two Rating Agencies. To the extent the amount of deposit required by the Schedule approved by one Rating Agency differs from the amount required by another Rating Agency, the larger amount is required. As of December 31, 2000 the amount held in the Loan Credit Reserve Fund was \$59 million, and the amount required on such date was \$53 million. See **APPENDIX D**.

Prior to the issuance of additional parity Bonds the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement, and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

Further information on the security and source of payment for the Bonds, including information on (1) Pledged Receipts, (2) Loans, (3) Subsidy Fund, (4) Loan Credit Reserve Fund, (5) Statutory Powers, (6) State financial participation, (7) Additional Bonds, and (8) the General Resolution, is included as **APPENDIX A**, which incorporates by reference Part VI of the 2000 Annual Report.

#### *The State*

The Subsidy Fund currently holds general obligation bonds of the State. Based on Subsidy Fund levels and cash flow calculations as of December 31, 2000, the State is expected to be the source of approximately 19.24 percent of the gross cash flow servicing all Outstanding Bonds. This



percentage is not expected to change significantly after all proceeds of the 2001 Series 1 Bonds have been disbursed for Loans.

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 B**, which includes by reference Part II of the 2000 Annual Report.

## **Redemption Provisions**

### *Optional Redemption*

Some of the 2001 Series 1 Bonds are subject to optional redemption before their maturity date. The 2001 Series 1 Bonds maturing on or after June 1, 2012 may be redeemed on June 1, 2011 or any date after that date in whole or in part in multiples of \$5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date. The Commission may decide whether to redeem the 2001 Series 1 Bonds, and it may direct the amounts and maturities of the 2001 Series 1 Bonds to be redeemed.

### *Selection of 2001 Series 1 Bonds*

If less than all the 2001 Series 1 Bonds of a particular maturity are to be redeemed, the selection of 2001 Series 1 Bonds to be redeemed depends on whether the 2001 Series 1 Bonds are in book-entry-only form or in certificated form. See “2001 SERIES 1 BONDS; Book-Entry-Only Form”. If in book-entry-only form, selection of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules. If not in book-entry-only form, selection shall be by lot.

### *Notice of Redemption*

The 2001 Series 1 Bonds are in book-entry-only form. Any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the securities depository between 30 and 60 days before the redemption date.

If the 2001 Series 1 Bonds are not in book-entry-only form, any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the owners of the 2001 Series 1 Bonds being redeemed between 30 and 60 days before the redemption date.

All redemption notices will also be sent to the Information Services. Failure to give any required notice of redemption as to any particular 2001 Series 1 Bonds will not affect the validity of the call for redemption of any 2001 Series 1 Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the General Resolution shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Interest on any 2001 Series 1 Bond called for redemption will cease to accrue on the redemption date so long as the 2001 Series 1 Bond is paid or money is provided for its payment.

## **Ratings**

At the State’s request, several rating agencies have rated the 2001 Series 1 Bonds:

<b>Rating</b>	<b>Rating Agency</b>
AA+	Fitch
Aa2	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. No one can offer any assurance that a rating given to the 2001 Series 1 Bonds will be maintained for any period of time; a rating agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any such downgrade or withdrawal of a rating may adversely affect the market price of the 2001 Series 1 Bonds.

### **Payment and Registration of 2001 Series 1 Bonds**

How the 2001 Series 1 Bonds are paid depends on whether or not they are in book-entry-only form.

The 2001 Series 1 Bonds are in book-entry-only form. Payment of principal will be made by wire transfer to the securities depository or its nominee upon the presentation and surrender of the 2001 Series 1 Bonds at the principal office of the Paying Agent—which is the Trustee. Payment of interest will be made by wire transfer on the payment date to the securities depository or its nominee.

If the 2001 Series 1 Bonds are not in book-entry-only form, payment of principal will be made by check or draft issued upon the presentation and surrender of the Bonds at the principal office of the Paying Agent. Payment of interest due on the Bonds will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the 15th day preceding such interest payment date or, if such day shall not be a business day, the immediately preceding business day (**Record Date**), or with respect to the owner of \$1 million principal amount or more of 2001 Series 1 Bonds outstanding, by wire transfer to such account as the owner may designate.

The Trustee is not required to transfer or exchange any 2001 Series 1 Bond during the 15 calendar days before the sending or publication of notice of any proposed redemption of the 2001 Series 1 Bonds, or in the case of the proposed redemption of 2001 Series 1 Bonds, next preceding the date of the selection of the 2001 Series 1 Bonds to be redeemed. In the event that less than all of the principal amount of a maturity is redeemed, the Trustee shall issue a new 2001 Series 1 Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

### **Book-Entry-Only Form**

Initially, DTC will act as securities depository for the 2001 Series 1 Bonds. The Trustee will register all 2001 Series 1 Bonds in the name of Cede & Co. (DTC's partnership nominee). DTC will receive one fully registered 2001 Series 1 Bond for each maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking 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 1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Series 1 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 Series 1 Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001 Series 1 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 1 Bonds, except in the event that use of the book-entry system for the 2001 Series 1 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Series 1 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the 2001 Series 1 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2001 Series 1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Series 1 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.

Conveyance of 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 statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to Cede & Co. If less than all of the 2001 Series 1 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 1 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 to whose accounts the 2001 Series 1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2001 Series 1 Bonds will be made to DTC by the Trustee. 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 such Participant and not of the State or the Trustee or DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2001 Series 1 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.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

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

No assurance can be given by the State or the Trustee that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the 2001 Series 1 Bonds. The State and the Trustee assume no liability 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 1 Bonds.

Similarly, no assurance can be given by the State that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

## **PLAN OF FINANCE**

### **Sources and Uses of Funds**

Proceeds of the 2001 Series 1 Bonds will be used to make Loans under the Clean Water Fund Program to Municipalities primarily for the construction or improvement of their wastewater treatment facilities. Proceeds from the 2001 Series 1 Bonds will also be used to make a deposit to the Loan Credit Reserve Fund and to pay costs of issuance. It is anticipated that the proceeds of the 2001 Series 1 Bonds, other than accrued interest, shall be applied as follows:

#### **Sources**

Principal Amount of 2001 Series 1 Bonds.....	\$70,000,000.00
Net Original Issue Premium .....	1,022,362.30
Total Sources .....	\$71,022,362.30

#### **Uses**

Deposit to Loan Fund .....	\$63,419,524.58
Deposit to Loan Credit Reserve Fund .....	6,438,375.42
Deposit to Debt Service Fund.....	637,362.30
Underwriters’ Discount.....	385,000.00
Costs of Issuance .....	142,100.00
Total Uses .....	\$71,022,362.30

### **Moneys for Leveraged Loan Portfolio**

2001 Series 1 Bond proceeds deposited into the Loan Fund will be used to make Loans in the Leveraged Loan Portfolio. The Leveraged Loan Portfolio and the Loans are more fully described in “CLEAN WATER FUND PROGRAM” and “LOANS”. The State may use funds deposited in the Loan Fund to purchase existing loans from the Proprietary or Direct Loan Portfolios, but is not obligated to do so.

### **Subsidy Fund Requirement**

Prior to disbursement from the Loan Fund the State is required by the Resolution, to meet the Subsidy Fund Requirement by depositing cash, Subsidy Funds, or loan assets in the appropriate funds and accounts. At the time that proceeds of the 2001 Series 1 Bonds are fully disbursed, the aggregate amount of the State's deposit in the Subsidy Fund related to Loans funded with the 2001 Series 1 Bond proceeds is estimated to be \$104 million. The State may transfer funds from the Loan Fund to the Revenue Fund to pay a portion of Debt Service on the Bonds, provided that following such transfer the Subsidy Fund Requirement is met.

## **LOANS**

The Wisconsin Statutes sets forth some of the requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Additional information concerning the loan application process, lending criteria, levy limit for counties, commitments, and financial assistance agreements is described under "LOANS" in Part VI of the 2000 Annual Report. See [APPENDIX A](#).

## **OTHER MATTERS**

### **Borrowing Plans for 2001**

The Commission has authorized the issuance of not more than \$84 million of Clean Water Revenue Refunding Bonds. The timing and amount of the issuance of these refunding bonds depend on market conditions.

### **Underwriting**

The 2001 Series 1 Bonds were purchased at competitive bidding on April 4, 2001 by Banc One Capital Markets, Inc. (**Underwriters**). The Underwriters paid \$70,637,362.30, and their bid resulted in a true interest cost rate to the State of 4.842465%.

### **Reference Information About 2001 Series 1 Bonds**

The table on the next page—as well as the table on the cover—includes information about the 2001 Series 1 Bonds and is provided for reference. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and prices have been provided by the Underwriters in order to allow the computation of yield for federal tax law compliance. The price at issuance is the lower of price to maturity or price to call.

### **Legal Investment**

State law provides that the 2001 Series 1 Bonds are legal investments for the following:

- 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.
- Executors, administrators, guardians, trustees, and other fiduciaries.
- The State and all public officers, municipal corporations, political subdivisions and public bodies.

**\$70,000,000**  
**State of Wisconsin**  
**Clean Water Revenue Bonds, 2001 Series 1**

**Dated Date: April 1, 2001**  
**First Interest Date: December 1, 2001**  
**Delivery Date: April 18, 2001**

<b>CUSIP</b>	<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield at Issuance</b>	<b>Price at Issuance</b>	<b>First Optional Redemption Date</b>	<b>Call Price</b>
977092 GR0	2002	\$2,310,000	4.50%	3.30%	101.304%	Not Callable	-
977092 GS8	2003	2,390,000	4.50	3.50	102.022	Not Callable	-
977092 GT6	2004	2,475,000	4.50	3.65	102.481	Not Callable	-
977092 GU3	2005	2,570,000	4.50	3.74	102.872	Not Callable	-
977092 GV1	2006	2,665,000	4.50	3.86	102.943	Not Callable	-
977092 GW9	2007	2,770,000	4.50	4.02	102.577	Not Callable	-
977092 GX7	2008	2,885,000	4.50	4.15	102.134	Not Callable	-
977092 GY5	2009	3,005,000	4.50	4.22	101.903	Not Callable	-
977092 GZ2	2010	3,130,000	4.50	4.30	101.491	Not Callable	-
977092 HA6	2011	3,265,000	4.50	4.38	100.968	Not Callable	-
977092 HB4	2012	3,410,000	5.00	4.51	103.941	<sup>(a)</sup> 6/1/2011	100%
977092 HC2	2013	3,565,000	5.25	4.61	105.123	<sup>(a)</sup> 6/1/2011	100
977092 HD0	2014	3,735,000	5.25	4.71	104.301	<sup>(a)</sup> 6/1/2011	100
977092 HE8	2015	3,910,000	5.25	4.81	103.487	<sup>(a)</sup> 6/1/2011	100
977092 HF5	2016	4,100,000	5.25	4.89	102.841	<sup>(a)</sup> 6/1/2011	100
977092 HG3	2017	4,305,000	5.00	4.99	100.073	<sup>(a)</sup> 6/1/2011	100
977092 HH1	2018	4,520,000	5.00	5.05	99.425	6/1/2011	100
977092 HJ7	2019	4,750,000	5.00	5.10	98.820	6/1/2011	100
977092 HK4	2020	4,990,000	5.00	5.14	98.302	6/1/2011	100
977092 HL2	2021	5,250,000	5.00	5.16	98.000	6/1/2011	100

<sup>(a)</sup> These bonds are priced to the June 1, 2011 call date.

### **Certain Legal Matters**

Legal matters incident to the authorization, issuance and sale of the 2001 Series 1 Bonds are subject to the approval of Michael Best & Friedrich LLP (**Bond Counsel**), whose approving opinion, substantially in the form shown in **APPENDIX E**, will be delivered on the date of issue of the 2001 Series 1 Bonds. In the event certificated 2001 Series 1 Bonds are issued, the opinion will be printed on the reverse side of each 2001 Series 1 Bond.

As a condition to making a Loan, the State will require an opinion of counsel (which counsel need not be a nationally recognized bond counsel) to the effect that (subject to certain exceptions for bankruptcy, insolvency and similar laws affecting creditors' rights or remedies and equitable principles), among other things, the Financial Assistance Agreement and the Municipal Obligation constitute legal, valid and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

### **Absence of Litigation**

Upon delivery of the 2001 Series 1 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2001 Series 1 Bonds, to the effect that there is no controversy or litigation of any nature pending or, to the best of the State's knowledge, threatened, to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the 2001 Series 1 Bonds, or in any way contesting or affecting the validity or enforceability of the 2001 Series 1 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the 2001 Series 1 Bonds. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged

Receipts or other revenues, receipts, funds or moneys pledged for the payment of the 2001 Series 1 Bonds which has not been disclosed in this Official Statement.

Each Municipality entering into a Financial Assistance Agreement is required, as a condition of the Loan, to deliver a certificate to the effect that there is no controversy or litigation of any nature pending or, to its knowledge, threatened against the Municipality contesting or affecting the validity or enforceability of the Financial Assistance Agreement or the Municipal Obligation or the use of the proceeds of the Municipal Obligation. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or, to its knowledge, threatened by or against the Municipality wherein an adverse ruling could have a material adverse impact on the financial condition of the Municipality or adversely affect the power of the Municipality to levy, collect and enforce the levying or collection of taxes, the imposition of rates or charges, or the collection of any of the foregoing, as applicable, for the payment of its Municipal Obligation which has not been disclosed to the State.

## **TAX MATTERS**

### **Certain Requirements of Code**

The Internal Revenue Code of 1986, as amended (**Code**) establishes certain requirements which must be met subsequent to the issuance and delivery of the 2001 Series 1 Bonds in order that the interest on the 2001 Series 1 Bonds be and remain excluded from gross income pursuant to Section 103 of the Code. Noncompliance could cause interest on the 2001 Series 1 Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Tax Regulatory Agreement entered into by the State describes the application to be made of certain funds held under the General Resolution and sets forth certain representations, statements of intention, conditions and covenants relating to the use of proceeds of the 2001 Series 1 Bonds necessary for, or related to, compliance with the requirements of Section 103 and related provisions of the Code including the arbitrage limitations imposed with respect to the investment of 2001 Series 1 Bond proceeds pursuant to Section 148 of the Code. The State agrees generally that it will take such actions as may be necessary and within its reasonable control to ensure that the 2001 Series 1 Bonds will continue to be obligations described in Section 103(a) of the Code. The Financial Assistance Agreement for each Loan contains a provision that the Municipality will not take any action within its reasonable control which will result in (or fail to take any action within its reasonable control that will prevent) the loss of the exclusion of interest on the 2001 Series 1 Bonds from gross income for federal income tax purposes.

### **Opinion of Bond Counsel**

#### *Federal Taxes*

In the opinion of Bond Counsel, whose approving opinion is substantially in the form shown in **APPENDIX E**, under existing statutes and court decisions, interest on the 2001 Series 1 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations. As summarized in **“TAX MATTERS; Certain Additional Federal Tax Consequences”**, such interest, however, is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax, the environmental tax and the foreign branch profits tax.

#### *State Taxes*

Interest on the 2001 Series 1 Bonds is subject to State of Wisconsin income and franchise taxes.

### *Basis of Federal Income Tax Opinion*

In rendering the foregoing opinion, Bond Counsel has relied upon and assumed compliance by the State and the Municipalities with the procedures and covenants set forth respectively in the Tax Regulatory Agreement entered into by the State and the Financial Assistance Agreement executed by each Municipality.

### **Certain Additional Federal Tax Consequences**

#### *General*

The following is a discussion of certain federal income tax matters under existing statutes. It is for general information only and does not purport to deal with all aspects of federal taxation that may be relevant to particular owners of the 2001 Series 1 Bonds. Prospective investors, particularly those who may be subject to special tax rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2001 Series 1 Bonds, as well as any tax consequences arising under the laws of any foreign state or other taxing jurisdiction.

#### *Alternative Minimum Tax*

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the 2001 Series 1 Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of certain corporations not otherwise included in the alternative minimum tax base will be included for purposes of calculating alternative minimum taxable income. The adjusted current earnings of a corporation will include the amount of any income received that is otherwise exempt from taxes.

#### *Social Security and Railroad Retirement Payments*

The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments is to be included in taxable income of individuals.

#### *Branch Profits Tax*

The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

#### *Borrowed Funds*

The Code provides that interest paid on borrowed funds to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

#### *Financial Institutions*

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct their cost of carrying certain obligations (other than certain “qualified” obligations), effective for obligations acquired after August 7, 1986. The 2001 Series 1 Bonds are not “qualified” obligations for this purpose.



### *Property and Casualty Companies*

The Code contains provisions relating to property and casualty companies whereunder the amount of certain cost deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

### *S Corporations*

The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Passive investments include interest on tax-exempt obligations.

### *Original Issue Discount*

The 2001 Series 1 Bonds maturing on June 1, 2018 to June 1, 2001 (**Discount Bonds**) are being sold subject to original issue discount. The original issue discount is the excess of the stated redemption price at maturity of the Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond who acquires the Discount Bond in this offering during any accrual period generally equals (1) the issue price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on the Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in the Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of the Discount Bond.

### *Original Issue Premium*

The 2001 Series 1 Bonds maturing on June 1, 2002 to June 1, 2017 are being sold at an amount in excess of the amount payable on maturity. Such excess constitutes bond premium under Section 171 of the Code. Under Section 171 of the Code, amortizable bond premium on a Bond is determined on a constant yield basis (except to the extent regulations may provide otherwise) over the term of the Bond. No deduction from the income of an owner of a Bond is allowed with respect to the amount of amortizable bond premium. The basis of each Bond will be reduced by the amount of amortizable bond premium for a taxable year required to be taken into account by an owner.

## **CONTINUING DISCLOSURE**

The State has made an undertaking, for the benefit of the beneficial owners of the 2001 Series 1 Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Report**). By approximately December 27 of each year, the State will send the Annual Report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**). The State will also provide notices of occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and 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  
P.O. Box 7864  
Madison, WI 53707-7864  
capfin@doa.state.wi.us

The undertaking also describes the consequences of any failure to provide the required information. The State must report the failure to the NRMSIRS, or the MSRB, and to any SID. In the last five years, there has been no failure to comply in any material respect with this or any similar undertaking.

### **FURTHER INFORMATION**

The State has covenanted to file with the Trustee, and to make available from DOA upon request, a copy of the audited financial statements for the Environmental Improvement Fund. The financial statements for the year ended June 30, 2000 are included by reference as part of **APPENDIX A**. Copies of the General Resolution, any Series Resolution, the Financial Assistance Agreements, and the Municipal Obligations are available for inspection during normal business hours at the offices of DOA. The State has not otherwise committed to update information in this Official Statement or to provide any other continuing disclosure concerning the Environmental Improvement Fund or the Clean Water Fund Program, except as provided in “**CONTINUING DISCLOSURE**”.

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This Official Statement is submitted only in connection with the sale of the 2001 Series 1 Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except with express permission.

Dated: April 4, 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/ DAVID P. SCHMIEDICKE

David P. Schmiedicke, Secretary  
State of Wisconsin Building Commission

## APPENDIX A

### INFORMATION ABOUT THE CLEAN WATER FUND PROGRAM

This appendix includes information concerning the State of Wisconsin Clean Water Fund Program. [Part VI 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 VI to the 2000 Annual Report](#) contains certain general information on the Environmental Improvement Fund and the Clean Water Fund Program. This part also presents information on the following:

- Security and Source of Payment of the Bonds
- Pledged Revenues
- Loans
- Subsidy Fund
- Loan Credit Reserve Fund (including the Loan Credit Reserve Fund Schedule for each Rating Agency)
- Statutory Powers
- State financial participation
- Additional Bonds
- Municipalities
- General Resolution.

Included as [APPENDIX A to Part VI of the 2000 Annual Report](#) are the audited financial statements as of June 30, 2000 for the [Environmental Improvement Fund](#), which includes the Clean Water Fund Program.

The 2000 Annual Report has been filed with each nationally recognized municipal securities information repository (NRMSIR). Copies of the 2000 Annual Report can be obtained from:

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

As of the date of this Official Statement, Part VI of the 2000 Annual Report can also be found on the world wide web at:

[www.doa.state.wi.us/debf/capfin/2000dis6.pdf](http://www.doa.state.wi.us/debf/capfin/2000dis6.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.

**SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loans (Page 178).** Add the following:

As of December 31, 2000, \$625.5 million of Bond proceeds have been disbursed for Loans and \$499.4 million is the principal balance of these Loans. In addition, \$15.1 million remain in the Loan Fund.

**TABLE VI-2; State of Wisconsin Environmental Improvement Fund Outstanding Loans (Pages 180-184).** Replace the table with the following:

**State of Wisconsin Clean Water Fund Program  
Outstanding Loans  
December 31, 2000  
(Amounts in Thousands)**

Municipality	Financial Assistance Loan Amount <sup>(b)</sup>	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water, and Proprietary Balance	Total Outstanding Balance <sup>(c)</sup>	Loan Amount Remaining to Fund <sup>(d)</sup>	Leveraged Loans Percent of Revenue Bond Payment <sup>(e)</sup>
<b>Leveraged Loans <sup>(a)</sup></b>							
Milwaukee Met Sewer Dist	\$334,056	\$308,902	\$126,305	\$102,327	\$228,632	\$23,581	18.67%
Madison Met Sewer Dist	50,117	46,298	32,032	5,023	37,055	866	5.00%
Manitowoc, City	20,216	17,644	17,644		17,644	2,572	2.87%
Green Bay Met Sewer Dist	48,656	45,537	10,508	23,399	33,907	555	1.59%
Stevens Point, City	13,560	13,117	9,747		9,747		1.50%
Fort Atkinson, City	14,594	14,266	9,740		9,740		1.54%
Waupaca, City	10,465	10,099	7,830	726	8,555		1.23%
Menomonie, City	8,732	8,524	7,763		7,763	172	1.34%
Sussex, Village	11,029	10,605	7,196		7,196		1.08%
Marshall, Village	7,744	7,503	6,962		6,962	212	1.10%
Sparta, City	10,726	10,043	6,572		6,572		1.01%
Green Lake SD	8,674	8,388	6,323		6,323		0.92%
Bloomer, City	6,694	6,690	6,154		6,154		0.97%
Stoughton, City	7,662	7,141	5,806	174	5,980	403	0.90%
Jackson, Village	6,130	6,008	5,769		5,769	123	0.90%
Brodhead, City	6,549	6,201	5,743		5,743	117	0.91%
Hudson, City	7,242	6,864	5,624		5,624	373	0.88%
Racine, City	19,573	18,872	5,356	11,636	16,992	84	0.83%
Twin Lakes, Village	5,941	5,130	5,130		5,130	811	0.85%
Oconomowoc, City	5,449	5,414	4,971		4,971		0.78%
Dodgeville, City	4,995	4,745	4,745		4,745	250	0.74%
West Salem, Village	4,990	4,624	4,423		4,423	366	0.68%
Chippewa Falls, City	5,335	4,994	4,391		4,391		0.69%
Salem - KENOSHA, Town	5,219	5,052	4,204		4,204	107	0.64%
De Pere, City	5,648	4,768	4,013		4,013	650	0.65%
Norway SD #1	6,228	4,641	3,969	79	4,048	1,578	0.64%
Black Creek, Village	4,332	4,332	3,814		3,814		0.60%
Rhineland, City	5,136	5,123	3,704		3,704		0.57%
Antigo, City	4,317	4,273	3,695		3,695	30	0.58%
Richland Center, City	4,998	4,750	3,508		3,508		0.55%
Lodi, City	4,050	3,907	3,441		3,441		0.54%
Chilton, City	3,418	3,350	3,350		3,350	68	0.53%
Edgerton, City	4,186	3,540	3,297		3,297		0.52%
Plover, Village	3,404	3,233	3,111		3,111	170	0.49%
Bristol - KENOSHA, Town	4,211	3,995	3,013		3,013		0.47%
Marshfield, City (Wood Cnty)	24,170	22,066	2,975	18,832	21,806	2,104	0.46%
New Richmond, City	3,320	3,202	2,924		2,924		0.45%
Sheboygan, City	7,626	7,626	2,878	3,663	6,541		0.45%
Neillsville, City	3,238	3,210	2,823		2,823		0.44%
South Milwaukee, City	3,410	3,410	2,720		2,720		0.42%
Allouez, Village	3,072	3,062	2,698		2,698		0.42%
Merrill, City	4,044	4,033	2,604		2,604		0.40%
Wautoma, City	6,848	6,847	2,554	3,214	5,768		0.35%
New Glarus, Village	3,503	3,434	2,525		2,525		0.39%
Tomahawk, City	3,026	2,864	2,489		2,489		0.38%
Black Wolf SD #1	4,327	4,065	2,482		2,482		0.35%

**State of Wisconsin Clean Water Fund Program**  
**Outstanding Loans**  
**December 31, 2000**  
**(Amounts in Thousands)**

Municipality	Financial Assistance Loan Amount <sup>(b)</sup>	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water, and Proprietary Balance	Total Outstanding Balance <sup>(c)</sup>	Loan Amount Remaining to Fund <sup>(d)</sup>	Leveraged Loans Percent of Revenue Bond Payment <sup>(e)</sup>
Reedsville, Village	2,768	2,755	2,354		2,354		0.37%
Ashland, City	11,685	11,323	2,341	5,047	7,388	204	0.36%
Freedom SD #1	2,748	2,645	2,329		2,329		0.36%
Shorewood, Village	2,512	2,298	2,121		2,121	214	0.33%
Belleville, Village (Dane Cnty)	2,563	2,413	2,120		2,120		0.33%
Colby, City (Clark Cnty)	2,837	2,647	2,108		2,108		0.32%
Weyauwega, City	3,285	3,108	2,062		2,062		0.32%
Amery, City	3,060	2,850	2,040	422	2,462	207	0.32%
Mauston, City	2,905	1,972	1,972		1,972	933	0.36%
Janesville, City	2,372	2,225	1,951		1,951	75	0.30%
Beloit, City	2,927	2,610	1,944		1,944	318	0.27%
Kenosha, City	33,144	27,986	1,930	18,970	20,901	1,485	0.30%
Baraboo, City	2,382	2,276	1,769		1,769		0.26%
Poynette, Village	2,288	2,112	1,768		1,768		0.27%
Chain O'Lakes SD #1	2,082	2,063	1,758		1,758		0.29%
Union Grove, Village	2,192	2,166	1,743		1,743		0.28%
Luxemburg, Village	2,053	1,896	1,742		1,742	157	0.27%
Monticello, Village	2,345	2,319	1,702		1,702		0.22%
Pewaukee, Village	8,191	7,594	1,657	5,463	7,120	597	0.26%
North Fond du Lac, Village	1,741	1,739	1,607		1,607		0.25%
Fremont, Village	1,867	1,815	1,599		1,599		0.25%
Somerset, Village	2,981	1,570	1,570		1,570	1,411	0.26%
Adams, City	2,464	1,578	1,535		1,535	833	0.25%
Mount Horeb, Village	3,436	3,338	1,424	751	2,175		0.21%
Whitewater, City (Walworth Cnty)	1,564	1,564	1,377		1,377		0.22%
Wisconsin Dells - Lake Delton SC	1,935	1,886	1,343		1,343	38	0.21%
Trempealeau, Village	1,559	1,544	1,320		1,320		0.21%
Wrightstown, Village	1,427	1,427	1,317		1,317		0.21%
Bangor, Village	1,587	1,298	1,298		1,298	289	0.21%
Lake Nebagamom, Village	1,539	1,456	1,295		1,295		0.21%
Lancaster, City	1,688	1,601	1,279		1,279		0.20%
Crandon, City	1,537	1,454	1,277		1,277		0.20%
Newburg, Village (Washington Cnty)	1,549	1,430	1,271		1,271		0.20%
Menasha, Town	1,659	1,642	1,259		1,259		0.19%
Iron Ridge, Village	1,441	1,191	1,191		1,191	250	0.20%
Manawa, City	1,408	1,391	1,169		1,169		0.18%
Two Rivers, City	1,608	1,320	1,167		1,167	159	0.19%
Potosi/Tennyson SC	1,543	1,543	1,160		1,160		0.17%
Dane, Village	1,228	1,228	1,149		1,149		0.18%
Saukville, Village	1,578	1,554	1,143		1,143		0.18%
Fond du Lac, City	2,022	1,732	1,134		1,134		0.17%
Valders, Village	1,538	1,538	1,121	98	1,219		0.17%
Tomah, City	15,430	14,273	1,101	12,584	13,685	1,124	0.17%
Black River Falls, City	1,894	1,767	1,085		1,085		0.15%
Jefferson, City	1,453	1,074	1,074		1,074	379	0.18%
Mount Calvary, Village	1,430	1,430	1,070		1,070		0.13%
Monroe, City	1,580	1,527	1,052		1,052		0.16%
Columbus, City (Columbia Cnty)	1,235	1,235	1,032		1,032		0.16%
Mosinee, City	1,383	1,297	1,030		1,030		0.16%
Bay City, Village	1,224	1,200	1,003		1,003	24	0.16%
Boscobel, City	1,337	1,182	991		991	105	0.16%
Viroqua, City	1,353	1,314	984		984		0.15%
Watertown, City (Jefferson Cnty)	1,141	1,101	977		977		0.15%
Silver Lake, Village	2,318	975	975		975	1,343	0.16%
Hewitt, Village	1,467	1,298	947		947		0.14%
Mayville, City	1,006	956	941		941	50	0.15%
Blue Mounds, Village	1,152	1,064	936		936		0.15%
Fontana, Village	2,725	2,471	914	1,422	2,336	181	0.15%
Argyle, Village	1,467	1,380	870		870		0.12%
Wolf TPC	12,847	10,414	848	9,140	9,988	2,433	0.13%
River Falls, City (Pierce Cnty)	1,009	1,009	848		848		0.13%
Brillion, City	1,064	846	846		846	218	0.14%
Wrightstown SD #1	1,081	1,036	822		822		0.13%
Brokaw, Village	969	900	806		806	62	0.12%
Kewaunee, City	1,017	1,017	806		806		0.12%
Rib Mountain MSD	917	795	795		795	122	0.13%
New Holstein, City	1,100	788	788		788	312	0.13%
Cross Plains, Village	896	849	788		788	46	0.12%
Spring Green, Village	950	920	781		781		0.12%
Cumberland, City	928	808	774		774		0.12%
Rockland, Village	967	867	771		771		0.12%
Galesville, City	1,143	1,111	766		766		0.12%
Muscoda, Village (Grant Cnty)	898	777	745		745	121	0.12%
Cuba City, City (Grant Cnty)	2,562	742	742		742	1,820	0.12%

**State of Wisconsin Clean Water Fund Program**  
**Outstanding Loans**  
**December 31, 2000**  
**(Amounts in Thousands)**

Municipality	Financial Assistance Loan Amount <sup>(b)</sup>	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water, and Proprietary Balance	Total Outstanding Balance <sup>(c)</sup>	Loan Amount Remaining to Fund <sup>(d)</sup>	Leveraged Loans
							Percent of Revenue Bond Payment <sup>(e)</sup>
Silver Lake SD (Washington Cnty)	1,063	1,063	700		700		0.09%
Highland, Village	825	784	698		698		0.11%
Redgranite, Village	997	997	680		680		0.09%
Brazeau SD #1	793	758	671		671		0.11%
Mercer SD #1	787	787	653		653		0.12%
Montfort, Village (Grant Cnty)	779	756	633		633		0.10%
Cudahy, City	886	839	615		615		0.09%
Rosholt, Village	662	649	597		597		0.09%
Neenah SD #2	1,057	1,057	589		589		0.07%
Iron River SD #1	717	710	586		586		0.09%
Footville, Village	1,645	581	581		581	1,065	0.10%
Shullsburg, City	687	626	578		578		0.09%
Plymouth, City	4,586	4,308	576	2,691	3,267		0.09%
Knapp, Village	669	616	564		564	53	0.09%
Abbotsford, City	722	660	561		561		0.09%
Beaver Dam, City	819	798	552		552		0.09%
Sextonville SD	589	564	504		504		0.08%
Brownsville, Village	588	534	494		494		0.08%
Laona SD #1	746	746	493		493		0.07%
Chetek, City	528	512	472		472		0.07%
Silver Lake SD (Wauzara Cnty)	722	722	470		470		0.06%
New Lisbon, City	1,053	777	436	149	584		0.07%
Prescott, City	5,349	4,956	414	3,538	3,952		0.06%
Almond, Village	530	504	384		384		0.06%
Prentice, Village	544	447	378		378		0.06%
Sunset Point SD	686	655	367		367		0.06%
Kohler, Village	401	367	367		367	34	0.06%
Westby, City	417	395	364		364		0.06%
North Freedom, Village	498	473	363		363		0.06%
Pulaski, Village (Brown Cnty)	483	483	360		360		0.05%
Slinger, Village	480	480	353		353		0.06%
Campbellsport, Village	405	359	348		348		0.06%
Iowa County	486	486	338		338		0.05%
Belmont, Village	458	416	336		336		0.05%
Cottage Grove, Village	506	360	332		332		0.05%
Mattoon, Village	628	583	332	217	549	42	0.05%
Random Lake, Village	464	441	329		329		0.05%
Goodman SD #1	1,074	1,074	318	611	929		0.04%
Ellsworth, Village	373	373	314		314		0.05%
Cassville, Village	442	401	293		293		0.05%
Coleman, Village	507	449	292		292		0.05%
Wyocena, Village	389	298	287		287		0.04%
Prairie du Chien, City	4,106	4,050	286	2,819	3,105		0.04%
Walworth, Village	332	305	281		281		0.04%
Osceola, Village	298	298	251		251		0.04%
Pepin, Village	363	281	251		251		0.04%
Montello, City	260	256	248		248		0.04%
Hustisford, Village	446	438	246	45	291		0.04%
Potosi, Village	291	260	233		233	23	0.04%
Baldwin, Village	262	262	221		221		0.03%
Shawano, City	252	225	216		216		0.03%
Grand Chute - Menasha West SC	11,835	11,227	204	8,325	8,529		0.03%
Blue River, Village	281	272	194		194		0.03%
Plum City, Village	249	249	192		192		0.03%
Prairie du Sac, Village	205	183	162		162		0.03%
Gays Mills, Village	180	173	153		153		0.02%
Little Elkhart Lake Rehab District	217	217	130		130		0.02%
Webster, Village	204	194	125		125		0.02%
Hancock, Village	151	120	120		120	31	0.02%
Hillsboro, City	160	129	115		115		0.02%
Linden, Village	165	153	112		112		0.02%
Spring Valley, Village (Pierce Cnty)	120	120	101		101		0.02%
Roberts, Village	81	81	69		69		0.01%
Bowler, Village	115	107	65		65		0.01%
<b>Subtotal</b>	<b>\$1,001,648</b>	<b>\$926,356</b>	<b>\$499,397</b>	<b>\$241,367</b>	<b>\$740,764</b>	<b>\$51,948</b>	<b>76.90%</b>

**Direct, Proprietary, and Drinking Water**

Adell, Village	566	566		343	343		
Albany, Village	536	393		378	378	143	
Algoma, City	5,547	5,432		3,573	3,573		
Appleton, City (Outagamie Cnty)	16,474	13,989		9,895	9,895	2,485	
Arena, Village	1,486	1,416		1,416	1,416	69	
Arlington, Village	1,662	1,579		1,525	1,525	83	

**State of Wisconsin Clean Water Fund Program**  
**Outstanding Loans**  
**December 31, 2000**  
**(Amounts in Thousands)**

Municipality	Financial Assistance Loan Amount <sup>(b)</sup>	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water, and Proprietary Balance	Total Outstanding Balance <sup>(c)</sup>	Loan Amount Remaining to Fund <sup>(d)</sup>	Leveraged Loans Percent of Revenue Bond Payment <sup>(e)</sup>
Aurora SD #1	15	15		7	7		
Avoca, Village	359	344		289	289		
Bagley, Village	229	218		210	210		
Bayshore SD	947	899					
Bear Creek, Village	432	387		328	328		
Black Earth, Village	4,278	3,931		3,931	3,931	347	
Blue Spring Lake Mgmt Dist	380	361					
Boaz, Village	106	106		63	63		
Bohners Lake SD #1	8,007	7,857		5,494	5,494		
Brookfield SD #4	5,750	5,556		5,313	5,313	194	
Brookfield, City	23,195	22,342		21,363	21,363	853	
Brule SD	367	299		290	290		
Burlington, City (Racine Cnty)	18,488	17,855		11,415	11,415		
Butte des Morts Consolidated SD #1	2,144	2,144		862	862		
Calumet SD #1	505	505		373	373		
Caroline SD	83	83		50	50		
Christmas Mountain SD	1,265	1,201		1,201	1,201	63	
Cleveland, Village	3,610	3,452		2,884	2,884		
Clinton, Village	4,962	2,875		2,875	2,875	2,088	
Cloverleaf Lakes SD #1	1,022	977		645	645		
Cochrane, Village	454	362		362	362	93	
Consolidated S.D. #1	155	155		95	95		
Crivitz, Village	1,725	1,725		1,155	1,155		
Cushing SD #1	116	116		221	221		
Denmark, Village	2,241	2,223		1,629	1,629		
Dyckesville SD	3,127	3,127		1,160	1,160		
Eagle River, City	3,563	3,401		2,810	2,810		
Eastman, Village	323	323		195	195		
Edgewood-Shangri La SD	1,011	996		901	901		
Egg Harbor, Village	508	504		467	467		
Elcho SD #1	1,418	1,418		1,349	1,349		
Elk Mound, Village	419	418		281	281		
Fairchild, Village	575	575		529	529		
Forestville, Village	585	552		532	532	33	
Germantown SD	34	34		21	21		
Gordon SD #1	395	395		249	249		
Green Valley SD #1	188	188		155	155		
Hartford, City (Washington Cnty)	13,168	12,510		11,460	11,460		
Hartford, Town	742	742				571	
Hatfield SD #1	1,135	1,135		789	789		
Haugen, Village	285	285		285	285		
Hilbert, Village	2,502	2,496		2,084	2,084		
Hub-Rock SD #1	494	494		442	442		
Ironton, Village	107	107		53	53		
Island View SD	2,764	2,480		2,070	2,070		
Ithaca SD #1	412	412		366	366		
Juneau, City	271	237		210	210		
Kelly Lake SD #1	1,914	1,818		1,818	1,818	96	
Kiel, City (Manitowoc Cnty)	2,470	2,470		2,202	2,202		
Lake Como Beach SD	4,459	4,459		4,013	4,013		
Lake Tomahawk SD #1	1,317	1,313		1,271	1,271		
Lannon, Village	3,824	3,326		2,471	2,471		
Lisbon SD #1	2,849	2,706		1,684	1,684		
Little Suamico SD #1	1,349	1,290		909	909		
Lomira, Village	1,932	1,784		1,419	1,419		
Lyndon Station, Village	615	571		551	551	44	
Marathon City, Village	1,890	1,804		1,744	1,744	86	
Mazomanie, Village	4,753	4,343		4,343	4,343	410	
Menomonee Falls, Village	887	863		825	825	24	
Milltown, Village	337	302		271	271		
Milwaukee, City (Milwaukee Cnty)	19,358	17,559		16,836	16,836	1,799	
Morrison SD #1	294	294		37	37		
Morrisonville SD #1	278	278		252	252		
Mukwonago, Village (Waukesha Cnty)	1,886	956		928	928	931	
Nekoosa, City	2,435	2,406		2,024	2,024		
Nelson, Village	640	640		512	512		
Niagara, City	181	181		110	110		
North Hudson, Village	641	620		72	72		
Oakdale, Village	45	45		25	25		
Oconomowoc, Town	6,819	4,906		4,860	4,860	1,914	
Oconto, City	3,844	3,725		2,956	2,956		
Ogema SD #1	190	181		127	127		
Oliver, Village	588	588		508	508		
Omro SD #1	992	992		790	790		



**State of Wisconsin Clean Water Fund Program  
Outstanding Loans  
December 31, 2000  
(Amounts in Thousands)**

Municipality	Financial Assistance Loan Amount <sup>(b)</sup>	Total Loan Amount Disbursed	Leveraged Balance	Direct, Drinking Water, and Proprietary Balance	Total Outstanding Balance <sup>(c)</sup>	Loan Amount Remaining to Fund <sup>(d)</sup>	Leveraged Loans Percent of Revenue Bond Payment <sup>(e)</sup>
Oneida Tribe of Indians	1,210	1,210		700	700		
Onion River Sewage Commission/Adell	721	721		438	438		
Onion River Sewage Commission/Hingham	227	227		142	142		
Oregon, Village	6,785	6,641		5,620	5,620		
Orihula SD	2,522	2,485		1,863	1,863		
Oshkosh, City	50,501	49,089		45,228	45,228	542	
Packwaukee SD #1	242	242		231	231		
Park Falls, City	1,469	1,395		1,395	1,395	73	
Pell Lake SD #1	5,829	5,829		5,532	5,532		
Pensaukee SD #1	1,279	1,279		1,077	1,077		
Pewaukee, City	8,049	7,808		7,468	7,468	241	
Pleasant Springs SD #1	1,029	934		764	764		
Port Washington, City	540	540		540	540		
Portage, City	4,341	4,100		3,937	3,937	241	
Readstown, Village	178	178		178	178		
Rockland SD #1	222	222		123	123		
Roxbury SD #1	940	914		879	879		
Royal Scot SD	510	510					
Sherwood, Village	1,500	1,500		1,383	1,383		
South Wayne, Village	1,388	1,266		1,083	1,083		
Stetsonville, Village	1,141	1,084		1,084	1,084	57	
Valley Ridge Clean Water Commission	749	749		469	469		
Walworth County Met Sewer District	19,994	19,088		15,087	15,087		
Washington, Town (Door Cnty)	60	60					
Waukesha, City	42,072	40,531		28,145	28,145		
Wausaukee, Village	1,662	1,662		1,203	1,203		
Wauzeka, Village	128	107		90	90		
Westboro SD #1	51	51		43	43		
Wheeler, Village	37	37					
Williams Bay, Village	885	836		778	778		
Winneconne SD #3	2,079	1,975		1,432	1,432	104	
Winneconne, Village	1,669	1,510		1,427	1,427	157	
Wisconsin Rapids, City	11,670	11,348		7,662	7,662		
<b>Subtotal</b>	<b>\$ 379,592</b>	<b>\$ 358,738</b>		<b>\$294,154</b>	<b>\$ 294,154</b>	<b>\$13,739</b>	
<b>Total</b>	<b>\$1,381,240</b>	<b>\$1,285,093</b>	<b>\$499,397</b>	<b>\$535,521</b>	<b>\$1,034,917</b>	<b>\$65,688</b>	<b>76.90%</b>

- (a) Municipalities that have received Financial Assistance Agreements that are funded with both Leveraged Loans and Direct or Proprietary Loans are included in their entirety within the group of Leveraged Loans.
- (b) The amount of financial assistance depicts only loans. Grants awarded in the aggregate amount of \$97 million are not included.
- (c) The principal balance may be less than the total amount disbursed due to repayment of loans.
- (d) "Loan Amount Remaining to Fund" is the "Financial Assistance Loan Amount" less "Total Loan Amount Disbursed", except for Loans that have been closed-out or paid-off, in which case the "Loan Amount Remaining to Fund" is zero.
- (e) Total repayments of outstanding Leveraged Loans (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total 1991 Series 1 Bonds, 1993 Series 1 and 2 Bonds, 1995 Series 1 Bonds, 1997 Series 1 Bonds, 1998 Series 1 Bonds, 1998 Series 2 Bonds, and 1999 Series 1 Bonds, less those Bonds that are defeased. Loans with amortization periods of shorter duration than the Bonds will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consist of Subsidy Fund transfers and repayments on Loans to be originated in the future from the remaining undisbursed 1999 Series 1 Bond proceeds.

As used in the above update to Table VI-2, "SD" refers to a sanitary district, "SC" to sewerage commission, "MSD" to a metropolitan sewerage district, "TPC" to a treatment plant commission, "RD" to a rehabilitation district, "CWC" to a clean water commission "WPCC" to a water pollution control center, and "MD" to a management district. Due to rounding, rows and columns may not add to the totals shown.

**SECURITY AND SOURCE OF PAYMENT FOR BONDS; Subsidy Fund (Page 186).** Add the following:

As of December 31, 2000, the Environmental Improvement Fund had purchased \$115 million of State general obligation bonds that were deposited into the Subsidy Fund, and the amortized balance as of this date was \$94 million.

**SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loan Credit Reserve Fund (Page 187).** Add the following:

As of December 31, 2000, the Loan Credit Reserve Fund balance was approximately \$59 million. This amount exceeded the Loan Credit Reserve Fund Requirement as of that date, which was \$53 million.

As of December 31, 2000, the Loan Credit Reserve Fund was invested as follows:

- \$22 million were invested in an investment agreement with AIG Matched Funding Corp. (AIGMFC) with the payment obligations of AIGMFC guaranteed by American International Group, Inc., which policy does not guarantee or otherwise provide for payment of amounts due in the event of non-payment by the State
- \$6 million were invested in an investment agreement with MBIA Investment Management Corp. (IMC) with the payment obligations of IMC guaranteed by the MBIA Insurance Corporation, which policy does not guarantee or otherwise provide for payment of amounts due in the event of non-payment by the State
- \$8 million were invested in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale (**Bayerische**), with the collateral held by Norwest Bank Minnesota, National Association as custodian
- \$21 million were invested in direct obligations of the United States under three forward delivery agreements with First Union National Bank of North Carolina (**First Union**); and
- \$2 million were invested in direct obligations of the United States under a forward delivery agreement with Westduetche Landesbank Girozentrale (**West LB**).

## APPENDIX B

### 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 B.

[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 may also be obtained from:

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

As of the date of this Official Statement, Part II of the 2000 Annual Report can also be found on the world wide web at:

[www.doa.state.wi.us/debf/capfin/2000dis2.pdf](http://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.

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

**Budget for 2000-01**

On January 25, 2001, the Legislative Fiscal Bureau provided revised general-fund estimates for the 2000-2001 fiscal year, taking into account economic forecasts and actual tax collections and expenditures. As a result of these revisions, the estimated gross balance for June 30, 2001 (before taking into account the statutory reserve) was estimated to be \$277 million, which is \$94 million greater than the amount included in the 2000-2001 budget and \$16 million greater than the amount included in the 2000 Annual Report.

**Proposed Budget for 2001-03**

The Governor has introduced the executive budget for the 2001-02 and 2002-03 fiscal years. The following tables summarize this proposed budget for each fiscal year on a general-fund basis and all-funds basis. A detailed summary of the all-funds budget is on [page B-4](#). A detailed summary of the general-fund budget is on [page B-5](#).

**Proposed Executive Budget  
General-Fund Basis  
(Amounts in Millions)**

	<b><u>Proposed Budget 2001-02</u></b>	<b><u>Proposed Budget 2002-03</u></b>
Beginning Balance	\$ 293	\$ 237
Tax Revenues	10,789	11,436
Tobacco Securitization Proceeds	350	n/a
Nontax Revenues	<u>7,777</u>	<u>8,198</u>
Total Amount Available	\$19,209	\$19,870
Total Disbursements/Reserves	<u>\$18,973</u>	<u>\$19,726</u>
Estimated Balance	237	144
Required Statutory Reserve*	<u>140</u>	<u>143</u>
Undesignated (Net) Balance	\$ 97	\$ 1

\* Current law requires a Statutory Reserve of 1.2% of general purpose revenue (GPR) appropriations for the 2001-02 fiscal year, 1.4% for the 2002-03 fiscal year, and 1.6% for the 2003-04 fiscal year. This table reflects the Governor's proposed executive budget, which changes the current law so that the Statutory Reserve would be 1.2% for the 2002-03 fiscal year yet leaves in place the scheduled increase to 1.6% in the 2003-04 fiscal year.

**Proposed Executive Budget  
All-Funds Basis  
(Amounts in Millions)**

	<u>Proposed Budget 2001-03</u>	<u>Proposed Budget 2002-03</u>
Beginning Balance	\$ 293	\$ 237
Tax Revenues	10,789	11,436
Tobacco Securitization Proceeds	350	n/a
Nontax Revenues	<u>19,829</u>	<u>20,008</u>
Total Amount Available	\$31,261	\$31,680
Total Disbursements/Reserves	<u>\$31,025</u>	<u>\$31,536</u>
Estimated Balance	237	144
Required Statutory Reserve*	<u>140</u>	<u>143</u>
Undesignated (Net) Balance	\$ 97	\$ 1

\* Current law requires a Statutory Reserve of 1.2% of general purpose revenue (GPR) appropriations for the 2001-02 fiscal year, 1.4% for the 2002-03 fiscal year, and 1.6% for the 2003-04 fiscal year. This table reflects the Governor's proposed executive budget, which changes the current law so that the Statutory Reserve would be 1.2% for the 2002-03 fiscal year yet leaves in place the scheduled increase to 1.6% in the 2003-04 fiscal year.

Additional information on the executive budget for the 2001-02 and 2002-03 fiscal years can be obtained from:

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

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

**State Budget–All Funds<sup>(a)</sup>**

	Actual 1999-2000 <sup>(b)</sup>	Budget 1999-2000	Budget 2000-2001	Governor's Proposed Budget 2001-2002	Governor's Proposed Budget 2002-2003
<b>RECEIPTS</b>					
Fund Balance from Prior Year.....	\$ 701,293,000	\$ 701,293,000	\$ 658,784,800 <sup>(c)</sup>	\$ 293,200,000	\$ 236,279,200
<b>Tax Revenue</b>					
Individual Income.....	5,962,010,000	5,825,000,000	5,158,800,000 <sup>(d)</sup>	5,506,000,000	5,831,400,000
General Sales and Use.....	3,501,659,000	3,500,000,000	3,710,000,000	3,830,200,000	4,124,300,000
Corporate Franchise and Income.....	644,625,000	660,000,000	658,300,000	644,200,000	648,300,000
Public Utility.....	259,984,000	250,000,000	220,000,000 <sup>(e)</sup>	244,000,000	250,000,000
<b>Excise</b>					
Cigarette/Tobacco Products.....	257,896,000	258,000,000	255,200,000 <sup>(d)</sup>	257,900,000	258,200,000
Liquor and Wine.....	34,564,000	33,000,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,392,000	9,300,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	133,261,000	95,000,000	75,000,000 <sup>(g)</sup>	115,000,000	125,000,000
Insurance Company.....	86,878,000	105,000,000	100,000,000	90,000,000	92,000,000
Other.....	1,075,169,000	58,000,000 <sup>(h)</sup>	61,000,000 <sup>(h)</sup>	56,600,000	60,200,000
Subtotal.....	11,965,438,000	10,793,300,000	10,281,100,000	10,789,300,000	11,435,700,000
<b>Nontax Revenue</b>					
<b>Departmental Revenue</b>					
Tobacco Settlement.....	167,362,000	167,886,100	124,763,700	153,400,000	155,400,000
Tobacco Securitization.....	NA	NA	NA	350,000,000	NA
Other.....	257,040,000	260,087,900	190,946,100	178,200,000	182,200,000
Total Federal Aids.....	4,170,531,000	5,085,572,200	4,703,374,700	5,511,131,800	5,579,063,400
Total Program Revenue.....	2,633,267,000	2,658,535,300	2,734,917,200	2,976,114,400	3,020,662,200
Total Segregated Funds.....	4,194,291,000	2,275,967,300	2,292,791,500	3,048,332,800	2,798,507,800
Fund Transfers In.....	NA	64,000,000	NA	NA	NA
Bond Authority.....	702,676,000	458,000,000	400,000,000	500,000,000	383,000,000
Employee Benefit Contributions <sup>(i)</sup> .....	8,782,705,000	6,612,282,700	7,051,394,300	7,461,324,917	7,889,603,973
Subtotal.....	20,907,872,000	17,582,331,500	17,498,187,500	20,178,503,917	20,008,437,373
Total Available.....	\$ 33,574,603,000	\$ 29,076,924,500	\$ 28,438,072,300	\$ 31,261,003,917	\$ 31,680,416,573
<b>DISBURSEMENTS AND RESERVES</b>					
Commerce.....	\$ 570,282,000	\$ 418,915,100	\$ 415,866,300	\$ 446,519,400	\$ 456,008,200
Education.....	8,018,963,000	7,860,268,900	8,223,303,400	8,742,758,300	8,974,907,600
Environmental Resources.....	2,626,896,000	2,493,567,700	2,437,927,900	2,652,804,100	2,755,852,000
Human Relations and Resources.....	7,978,636,000	6,850,265,900	6,733,347,000	7,753,229,100	7,872,914,600
General Executive.....	3,741,255,000	673,415,700	669,656,800	776,913,000	784,419,000
Judicial.....	102,487,000	104,156,900	104,709,200	104,785,200	104,830,500
Legislative.....	59,820,000	60,511,900	59,086,500	63,972,100	63,246,900
General Appropriations.....	3,346,300,000	2,891,183,500	2,163,488,700	2,587,818,600	2,259,632,900
General Obligation Bond Program.....	505,472,000	458,000,000	400,000,000	500,000,000	383,000,000
Employee Benefit Payments <sup>(i)</sup> .....	2,311,624,000	2,504,993,800	2,695,311,400	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments <sup>(i)</sup> .....	6,471,081,000	4,107,288,900	4,356,082,900	4,083,809,108	4,059,522,824
Subtotal.....	35,732,816,000	28,422,568,300	28,258,780,100	31,090,124,717	31,544,415,673
Less: (Lapses).....	NA	(84,028,600)	(122,124,800)	(105,300,000)	(112,300,000)
Compensation Reserves.....	NA	56,100,000	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	113,883,100	134,328,600	139,500,000	143,400,000
Transfer to Tobacco Control Board.....	NA	23,500,000	NA	12,000,000	21,200,000
Other.....	NA	NA	NA	NA	NA
Change in Continuing Balance.....	(3,030,496,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 32,702,320,000	\$ 28,532,022,800	\$ 28,388,733,900	\$ 31,164,224,717	\$ 31,679,215,673
Fund Balance.....	\$ 872,283,000	\$ 544,901,700	\$ 49,338,400	\$ 96,779,200	\$ 1,200,900
Undesignated Balance.....	\$ 835,714,000	\$ 658,784,800	\$ 183,667,000	\$ 236,279,200	\$ 144,600,900

- (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 decrease results from budgeted tax reductions becoming effective.
- (e) The decrease results from the continued effect of prior years' tax changes.
- (f) The decrease results from an anticipated decline in consumption.
- (g) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.
- (h) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$809 million of motor fuel taxes in the 1999-2000 fiscal year.
- (i) 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 Annual Report.

Source: Wisconsin Department of Administration.

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

**State Budget–General Fund<sup>(a)</sup>**

	<u>Actual 1999-2000<sup>(b)</sup></u>	<u>Budget 1999-2000</u>	<u>Budget 2000-2001</u>	<u>Governor's Proposed Budget 2001-2002</u>	<u>Governor's Proposed Budget 2002-2003</u>
<b>RECEIPTS</b>					
Fund Balance from Prior Year.....	\$ 701,293,000	\$ 701,293,000	\$ 658,784,800 <sup>(c)</sup>	\$ 293,200,000	\$ 236,279,200
<b>Tax Revenue</b>					
State Taxes Deposited to General Fund					
Individual Income.....	5,962,010,000	5,825,000,000	5,158,800,000 <sup>(d)</sup>	5,506,000,000	5,831,400,000
General Sales and Use.....	3,501,659,000	3,500,000,000	3,710,000,000	3,830,200,000	4,124,300,000
Corporate Franchise and Income.....	644,625,000	660,000,000	658,300,000	644,200,000	648,300,000
Public Utility.....	259,984,000	250,000,000	220,000,000 <sup>(e)</sup>	244,000,000	250,000,000
Excise					
Cigarette/Tobacco Products.....	257,896,000	258,000,000	255,200,000 <sup>(f)</sup>	257,900,000	258,200,000
Liquor and Wine.....	34,564,000	33,000,000	33,500,000	35,900,000	36,800,000
Malt Beverage.....	9,392,000	9,300,000	9,300,000	9,500,000	9,500,000
Inheritance, Estate & Gift.....	133,261,000	95,000,000	75,000,000 <sup>(g)</sup>	115,000,000	125,000,000
Insurance Company.....	86,878,000	105,000,000	100,000,000	90,000,000	92,000,000
Other.....	67,511,000	58,000,000	61,000,000	56,600,000	60,200,000
Subtotal.....	10,957,780,000	10,793,300,000	10,281,100,000	10,789,300,000	11,435,700,000
<b>Nontax Revenue</b>					
Departmental Revenue					
Tobacco Settlement.....	167,362,000 <sup>(h)</sup>	167,886,100	124,763,700	153,400,000	155,400,000
Tobacco Securitization.....	NA	NA	NA	350,000,000	NA
Other.....	257,040,000	260,087,900	190,946,100	178,200,000	182,200,000
Program Revenue-Federal.....	4,170,531,000	4,453,148,300	4,121,351,700	4,815,882,800	4,840,184,700
Program Revenue-Other.....	2,633,267,000	2,658,535,300	2,734,917,200	2,629,077,200	3,020,662,200
Fund Transfers In.....	NA	64,000,000	NA	NA	NA
Subtotal.....	7,228,200,000	7,603,657,600	7,171,978,700	8,126,560,000	8,198,446,900
Total Available.....	\$ 18,887,273,000	\$ 19,098,250,600	\$ 18,111,863,500	\$ 19,209,060,000	\$ 19,870,426,100
<b>DISBURSEMENTS AND RESERVES</b>					
Commerce.....	\$ 209,393,000	\$ 218,959,300	\$ 220,214,600	\$ 237,617,800	\$ 242,674,600
Education.....	7,769,121,000	7,798,220,600	8,163,838,300	8,327,616,900	8,905,321,100
Environmental Resources.....	270,101,000	261,344,100	259,939,200	272,711,800	280,143,100
Human Relations and Resources.....	6,742,655,000	6,684,959,800	6,541,581,500	7,450,498,700	7,528,373,300
General Executive.....	631,485,000	634,410,900	569,934,100	637,937,300	648,783,600
Judicial.....	102,156,000	103,499,100	104,051,400	104,076,100	104,121,400
Legislative.....	59,820,000	60,511,900	59,086,500	63,972,100	63,246,900
General Appropriations.....	2,548,903,000	2,681,988,700	2,013,925,700	1,943,750,100	1,961,761,200
Subtotal.....	18,333,634,000	18,443,894,400	17,932,571,300	19,038,180,800	19,734,425,200
Less: (Lapses).....	NA	(84,028,600)	(122,124,800)	(105,300,000)	(112,300,000)
Compensation Reserves.....	NA	56,100,000	117,750,000	27,900,000	82,500,000
Required Statutory Balance.....	NA	113,883,100	134,328,600	139,500,000	143,400,000
Transfer to Tobacco Control Board.....	NA	23,500,000	NA	12,000,000	21,200,000
Other.....	NA	NA	NA	NA	NA
Changes in Continuing Balance.....	(318,644,000)	NA	NA	NA	NA
Total Disbursements & Reserves.....	\$ 18,014,990,000	\$ 18,553,348,900	\$ 18,062,525,100	\$ 19,112,280,800	\$ 19,869,225,200
Fund Balance.....	\$ 872,283,000	\$ 544,901,700	\$ 49,338,400	\$ 96,779,200	\$ 1,200,900
Undesignated Balance.....	\$ 835,714,000	\$ 658,784,800	\$ 183,667,000	\$ 236,279,200	\$ 144,600,900

- (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 decrease results from budgeted tax reductions becoming effective.
- (e) The decrease results from the continued effect of prior years' tax changes.
- (f) The decrease results from an anticipated decline in consumption.
- (g) The decrease results from an expected one-time collection in the 1999-2000 fiscal year.

Source: Wisconsin Department of Administration.



## APPENDIX C

### DEFINITIONS OF CERTAIN TERMS

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

**Accreted Value** means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter's discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation shall be an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); provided, however, that the calculation of Accreted Value for purposes of determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation shall be an interest payment date, in which case shall be calculated as of the date of calculation).

**Act** means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

**Administrative Fund** means the fund of that name established by the General Resolution.

**Aggregate Debt Service** for any period means, with respect to the Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

**Authorized Officer** means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

**Bond** or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

**Bond Depository** means, initially, The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York or any other bond depository appointed by the Commission to act as bond depository for the Bonds in connection with a book-entry-only system of distributing Bonds.

**Bondowners** or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

**Business Day** means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

**Capital Appreciation Bond** means Bonds that provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

**Capitalized Interest Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Clean Water Fund Program** means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

**Code** means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder to the extent applicable to any Bonds, Loans or Municipal Obligations, as the case may be.

**Commission** means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18, as amended, of the Statutes to authorize and direct the issuance of Bonds.

**Commitment** means a notice of financial assistance commitment entered into between DNR, DOA and a Municipality.

**Contribution Amount** has the meaning set forth in the definition of “Loan Credit Reserve Fund Requirement.”

**Costs of Issuance** means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants’ fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes, or any fees and expenses payable in connection with any entity insuring the State, the Trustee or the owners of the Bonds or Notes against loss on Loans or Municipal Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements, and other costs, charges and fees in connection with the original issuance of Bonds or Notes.

**Costs of Issuance Account** means the account of that name established within the Administrative Fund by the General Resolution.

**Counsel’s Opinion** means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the State (who may be counsel to the State); provided, however, that for the purposes of Article II of the General Resolution (addressing authorization and issuance of Bonds) such term means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State and provided, further, that for the purposes of Section 8.08 of the General Resolution (addressing conditions for delivery of Municipal Obligations), such term means an opinion signed by an attorney or firm of attorneys selected by the Municipality and approved by the State.

**Credit Facility** means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution or the federal government or an agency thereof which (1) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds, (2) provides funds for the purchase of such Bonds or portions thereof, (3) provides deposits for a fund or account under the General Resolution, or (4) provides for or further secures payment of Loans or Municipal Obligations, provided that with respect to (3) above, the issuer of which Credit Facility is rated, or the effect of which Credit

Facility would cause bonds insured or secured thereby to be rated, in a rating category by each Rating Agency no lower than the then current rating on the Bonds (without such Credit Facility).

**Debt Service** for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (1) interest payable during such period on Bonds of such Series, (2) that portion of the Principal Installments for such Series which are payable during such period, and (3) any “Reimbursement Obligation” or “Parity Reimbursement Obligation” as defined in the General Resolution. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

**Debt Service Fund** means the fund of that name established by the General Resolution.

**Depository** means any bank, trust company, or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

**Direct Loan** means loans made primarily from the proceeds of federal Capitalization Grants, the State Match, or repayments of Direct Loans, and excludes any Leveraged Loan.

**DNR** means the State of Wisconsin Department of Natural Resources.

**DOA** means the State of Wisconsin Department of Administration.

**DTC** means The Depository Trust Company, New York, New York.

**Environmental Improvement Fund** means the nonlapsible trust fund of that name created by Section 25.43 of the Statutes.

**EPA** means the United States Environmental Protection Agency.

**Expense Account** means the account of that name established within the Administrative Fund established by the General Resolution.

**Fees and Charges** means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loans or Municipal Obligations but does not include principal of and interest on such Municipal Obligations.

**Fiduciary** or **Fiduciaries** means the Trustee, any Paying Agent, any Depository or any or all of them, as may be appropriate.

**Financial Assistance Agreement** means any agreement entered into between DNR, DOA, and a Municipality for financial assistance.

**Fiscal Year** means any 12 consecutive calendar months commencing with the second day of June and ending on the first day of the following June.

**General Resolution** means the Clean Water Revenue Bond General Resolution adopted by the Building Commission on March 7, 1991, as the same may be amended and supplemented from time to time.

**Information Services** means an institution or other service providing information with respect to called bonds, which shall include but not be limited to those identified in the General Resolution and others designated by an Authorized Officer.

**Interest Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Investment Obligation** means any of the following that at the time are legal investments for moneys of the State:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (d) which at the time of their purchase under the General Resolution bear the highest rating available from each Rating Agency;

(3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority;

(4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided, however, that any investment purchased pursuant to this clause shall be rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(5) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, including the State, provided that at the time of their purchase under the General Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(6) direct obligations of the State or obligations guaranteed by the State that have the same rating as direct obligations of the State;

(7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under the General Resolution the highest rating available from each Rating Agency;

(8) interest-bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Fiduciary), provided such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(9) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(10) repurchase agreements for obligations of the type specified in clauses (1) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or (b) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which are marked to market daily and have a value equal to not less than the percentage of the amount thereby secured specified by each Rating Agency, taking into account the maturity of such obligations;

(11) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency;

(12) any investment agreement with a bank, bank holding company, insurance company or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(13) the Local Government Pooled–investment Fund of the State established under Chapter 25 of the Wisconsin Statutes.

**Loan or Leveraged Loan** means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act and funded from the Loan Fund.

**Loan Credit Reserve Fund** means the fund of that name established by the General Resolution.

**Loan Credit Reserve Fund Requirement** means and is calculated as follows:

(1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories

and loan credit reserve fund requirements (**Loan Credit Reserve Fund Schedule or Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the “**Contribution Amount**”.

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

**Loan Fund** means the fund of that name established by the General Resolution.

**Loan Repayments or Leveraged Loan Repayments** means any payment on a Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest, and premium, if any, due on such Loan, including without limitation scheduled payments of principal and interest on such Loan or Municipal Obligation, any payment made to cure a default, prepayments of principal or interest, and any additional amounts payable upon prepayment of such Loan or Municipal Obligations, and any amounts paid with respect to such Loan or Municipal Obligation on account of (1) acceleration of the due date of such Loan or such Municipal Obligation, (2) the sale or other disposition of such Loan or the Municipal Obligations and other collateral securing such Loan, (3) the receipt of proceeds of any insurance or guaranty of such Loan or Municipal Obligations or any Credit Facility applicable to such Loan or Municipal Obligations, and (4) the exercise of any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement upon default on such Loan or Municipal Obligations but specifically excluding Fees and Charges.

**Municipal Obligations** means the bonds, notes, or other evidence of debt issued by any Municipality and authorized by law and which have heretofore been or will hereafter be acquired by the State as evidence of indebtedness of a Loan, Direct Loan, or Proprietary Loan to the Municipality pursuant to the Act. Municipal Obligations may constitute any of a combination of the following: a revenue obligation secured by a covenant to assess user fees and a pledge of the utility’s revenues, a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility’s revenues, a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

**Municipality** means a political subdivision of the State constituting a “municipality” within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a Federally recognized American Indian tribe or band in the State.

**Non-SRF Account** means account of that name established within the Loan Credit Reserve Fund.

**Notes** means any bond anticipation notes issued by the State pursuant to the Act.

**NRMSIR** means nationally recognized municipal securities information repository.

**Outstanding**, when used with reference to Bonds, other than Bonds referred to in Section 10.05 of the General Resolution (addressing Bonds owned or held by or for the account of the State), means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (1) any bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (2) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in Trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (3) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and (4) Bonds deemed to have been paid as provided in Article 12 of the General Resolution (addressing defeasance). In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

**Paying Agent** for the Bonds of any Series means the bank, trust company, or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

**Pledged Receipts** means:

- (1) all Loan Repayments, including both timely and delinquent payments,
- (2) Fees and Charges held or collected by the State,
- (3) any moneys received by the State under Section 281.59 (11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA, and taxes collected by county treasurers) upon a default under a Municipal Obligation,
- (4) any moneys made available to the Clean Water Fund Program pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State “moral obligation” for individual Loans),
- (5) any moneys collected by recourse to collateral and security devices under the Municipal Obligations, and
- (6) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations.

**Principal Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Principal Installment** means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such future date; in each case in the amounts and on the dates as provided

in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

**Project** means any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation, or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

**Proprietary Loan** means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Leveraged Loan.

**Rating Agency** means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation or otherwise.

**Rebate Fund** means the fund of that name established by the General Resolution.

**Record Date** means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day proceeding a payment date or, if such day shall not be a business day, the immediately preceding business day.

**Redemption Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Redemption Price**, when used with respect to a Bond other than a Capital Appreciation Bond, or a portion thereof to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution, but, when used with respect to a Capital Appreciation Bond, "Redemption Price" means the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

**Refunding Bonds** means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance to refund other Bonds.

**Revenue Fund** means the fund of that name established by the General Resolution.

**Series of Bonds or Bonds of a Series** or words of similar meaning means the series of Bonds authorized by a Series Resolution.

**Series Resolution** means a resolution of the Building Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

**Sinking Fund Installment** means, as of any particular date of calculation, (i) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

**SRF Account** means the account of that name established within the Loan Credit Reserve Fund by the General Resolution.

**State** means the State of Wisconsin.



**State Equity Fund** means the fund of that name established by the General Resolution.

**Subsidy Fund** means the fund of that name established by the General Resolution.

**Subsidy Fund Requirement** means that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing immediately following the dated date of the initial Series of Bonds and thereafter an interest payment date and ending on the next interest payment date (**Period**) which is at least equal to the amount by which Aggregate Debt Service payable during the period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

**Subsidy Fund Transfer Amount** means that amount equal to the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) exceeds the sum of (1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period.

**Supplemental Resolution** means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

**Trustee** means Firststar Bank, National Association, as successor to Firststar Trust Company, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the General Resolution.

## APPENDIX D

### LOAN CREDIT RESERVE FUND SCHEDULES

#### Introduction

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no less than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount of the deposit or amount on deposit required by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of December 31, 2000 the amount held in the Loan Credit Reserve Fund was \$59 million, and the amount required on such date was \$53 million.

#### Current Schedules

The Bonds are currently rated AA+ by Fitch, Inc. (**Fitch**), Aa2 by Moody's Investors Service, Inc. (**Moody's**) and AA+ by Standard & Poor's Ratings Services (**S&P**). Each of the following Schedules has been approved by the respective Rating Agency indicated.

##### *Fitch, Inc.*

Based on certain credit characteristics, each Loan will be assigned to one of six credit categories, which are explained below. Any assignment of a Loan to a credit category other than "Not Rated; Interceptable State Aid Factor 2.0 or Greater" or "Not Rated; Interceptable State Aid Factor Less Than 2.0" is subject to review by Fitch. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular Loan and any amounts disbursed under that Loan differs, depending on the borrower. The Municipality with total outstanding General Resolution Leveraged Loans in a credit category below that of the Bonds, such that the Municipality's outstanding Loan amount is larger than that of any other Municipality with outstanding Loans in credit categories below that of the Bonds, is the "Largest Borrower Below Bond Credit Quality". The required deposit attributable to the Largest Borrower Below Bond Credit Quality shall equal the total of all debt service payments attributable to the Loan or Loans to that Borrower over the four-year period in which such debt service payments are the greatest. For any Loans to borrowers other than the Largest Borrower Below Bond Credit Quality, the required deposit shall equal the product of the total of all debt service payments attributable to such Loans over the four-year period in which such debt service payments are the greatest times the factor, described below, assigned to Loans of the applicable credit category.

Loans are currently assigned to credit categories based on one or more of the following characteristics, (1) the Fitch rating given to the Municipal Obligation (or its lack of a Fitch rating), (2) the credit quality estimate for the Municipal Obligation based on information available to Fitch from sources it believes to be reliable, or (3) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch ratings for the Municipal Obligation and are used solely for purposes of analyzing the credit quality of the Bonds. The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept" in Part VI of the State's Continuing Disclosure Annual Report, dated December 22, 2000 (**2000 Annual Report**). See **APPENDIX A**. If the Municipal Obligation is not rated by Fitch, the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation.

Credit categories to which Loans may be assigned by Fitch currently include the following:

“AAA” Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of the highest credit quality, denoting the lowest expectation of credit risk. Assignments to this category are made only in cases of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

“AA” Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of very high credit quality, denoting a very low expectation of credit risk. Assignments to this category are made in cases of very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

“A” Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of high credit quality, denoting a low expectation of credit risk. Assignments to this category are made in cases of strong capacity for timely payment of financial commitments. Nevertheless, this capacity may be more vulnerable to changes in circumstances or in economic conditions than is the case for higher credit quality categories.

“BBB” Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of good credit quality, denoting a currently low expectation of credit risk. Assignments to this category are made in cases of adequate capacity for timely payment of financial commitments. Adverse changes in circumstances and in economic conditions are more likely to impair this capacity than is the case for higher credit quality categories.

Not Rated; Interceptable State Aid Factor 2.0 or Greater. The anticipated amount of annual State payments that can potentially be intercepted by the State is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality: State shared revenue. A Loan is currently assigned to this category if its related Municipal Obligation is: (1) not rated by Fitch or categorized as being of speculative grade credit quality by Fitch, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the maximum annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Interceptable State Aid Factor Less Than 2.0. A Loan is currently assigned to this category if its related Municipal Obligation is: (1) not rated by Fitch or categorized as being of speculative grade credit quality, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the maximum annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The following chart shows the current factor assigned to each of the six credit categories by Fitch.

<u>Category</u>	<u>Factor</u>
‘AAA’ Credit Quality Category	0%
‘AA’ Credit Quality Category	0
‘A’ Credit Quality Category	8
‘BBB’ Credit Quality Category	14
Not Rated; Interceptable State Aid Factor 2.0 or Greater	8
Not Rated; Interceptable State Aid Factor Less Than 2.0	36

The State recognizes that lower factors may be assigned to Loans related to Municipal Obligations that are deemed by Fitch to be general obligations secured by the Municipality’s full faith and

credit, based on Fitch’s current rating guidelines for leveraged municipal loan pools. However, the State does not currently opt to assign such lower factors to such Loans, since the above factors result in a more conservative level of funding for the Loan Credit Reserve Fund.

The State recognizes that Fitch’s rating on the Bonds is based only in part upon the level of funding in the Loan Credit Reserve Fund and the credit quality of borrowers from Bond funds. Other factors upon which the Bonds’ rating is based currently include, but are not limited to, Fitch’s general obligation bond rating for the State of Wisconsin, as well as structural and legal characteristics of the Clean Water Fund Program, Clean Water Fund Program management, Clean Water Fund Program loan underwriting practices, Clean Water Fund Program loan monitoring practices, and permitted Clean Water Fund Program investments. The State recognizes that factors upon which the Bonds’ rating is based may change in the future. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by Fitch may be based on the maintenance of amounts greater than the amounts required under this particular Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same credit rating category as the Bonds. The State further agrees that, if practicable, it will provide Fitch with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

*Moody’s Investors Service, Inc.*

As part of the Schedule submitted to Moody’s, the State has indicated that it will maintain the Loan Credit Reserve Requirement at a level that corresponds to certain Loan portfolio credit characteristics. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Loans times a factor of 120%, and is based on an evaluation of the Loans shown in [Appendix A](#), which includes updates to Loans included in the 2000 Annual Report. A different factor may be applied if Loan portfolio credit characteristics change.

*Standard & Poor’s Ratings Services*

Based on certain credit characteristics, each Loan will be assigned one of five categories, which are explained below. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular disbursement from the Loan Fund is the product of the maximum annual debt service payment on the Loan attributable to the disbursement times the factor assigned to that particular category.

The following chart shows the current factor assigned to each of the five categories by S&P. Following the chart is an explanation of the characteristics of each category.

<u>Category</u>	<u>Factor</u>
Higher Investment Grade Rating	0%
Medium Investment Grade Rating	40
Lower Investment Grade Rating	64
Not Rated; Greater State Aids	40
Not Rated; Lesser State Aids	140

Loans are categorized based on two characteristics: (1) the rating given to the Municipal Obligation (or its lack of a rating), and (2) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The intercept power is described under “SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept” in Part VI of the 2000 Annual Report. See [APPENDIX A](#). If the Municipal

Obligation is not rated by S&P, the State may request permission from S&P to assign the Municipal Obligation to a particular category.

The anticipated amount of annual State payments that can potentially be intercepted by DOA is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality–State shared revenue.

Higher Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA;AA).

Medium Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Loan as one to which the State “moral obligation” applies. The State “moral obligation” is described in “SECURITY AND SOURCE OF PAYMENT FOR BONDS” in Part VI of the 2000 Annual Report. See **APPENDIX A**.

Lower Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the minimum investment grade rating category (BBB).

Not Rated; Greater State Aids. A Loan is assigned to this category if the Municipal Obligation is: (1) either is not rated or is rated below investment grade, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Loan is assigned to this category if the Municipal Obligation is: (1) either is not rated or is rated below investment grade, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The State recognizes that the rating maintained by S&P is based in part upon the level of funds available in the Loan Credit Reserve Fund. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by S&P may be based on the maintenance of amounts greater than the amounts required under this Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same rating category as the Bonds. The State further agrees that, if practicable, it will provide S&P with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

The State agrees that if the rating on or ratability of an investment in the Loan Credit Reserve Fund is based on either a credit enhancement policy or financial guarantee, the State will notify S&P not less than 30 days prior to the expiration of such policy and indicate what action, if any, is expected to be taken with respect to the credit quality of the investment.

### **Ratings on Municipal Obligations**

Any explanation of the significance of a rating with respect to a Municipal Obligation may only be obtained from the Rating Agency furnishing the rating. There is no assurance that the rating given to a Municipal Obligation will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances warrant.

## APPENDIX E

### FORM OF BOND COUNSEL OPINION

*Upon delivery of the 2001 Series 1 Bonds, Michael Best & Friedrich LLP expects to deliver to the State a legal opinion in substantially the following form:*

**(Letterhead of Michael Best & Friedrich LLP)**

**\$70,000,000**

**State of Wisconsin**

**Clean Water Revenue Bonds, 2001 Series 1**

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of \$70,000,000 aggregate principal amount of Clean Water Revenue Bonds, 2001 Series 1 (**2001 Series 1 Bonds**). We have examined: (1) the constitution and laws of the State, including particularly Sections 281.58 and 281.59 of the Wisconsin Statutes (**Act**); (2) a certified copy of the proceedings of record of the State preliminary to and in connection with the issuance of the 2001 Series 1 Bonds, including particularly 1991 State of Wisconsin Building Commission Resolution 5 dated March 7, 1991 entitled “Clean Water Revenue Bond General Resolution” (**General Resolution**), and 2000 State of Wisconsin Building Commission Resolution No. 19 dated December 20, 2000 entitled “Resolution Authorizing Not to Exceed \$100,000,000 Clean Water Revenue Bonds”, as supplemented and amended (collectively, **Resolutions**); (3) the Internal Revenue Code of 1986, as amended (**Code**), including particularly Sections 103, 141 and 148 thereof; and (4) such other documents and records as we have deemed necessary to render this opinion. We have also examined one of the 2001 Series 1 Bonds and have found it to be in proper form.

The 2001 Series 1 Bonds are dated April 1, 2001; are payable as to interest on June 1 and December 1 in each year until maturity, commencing December 1, 2001; are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof; are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the 2001 Series 1 Bonds and in the Resolutions; and mature on the dates and in the principal amounts and will bear interest at the rates set forth below:

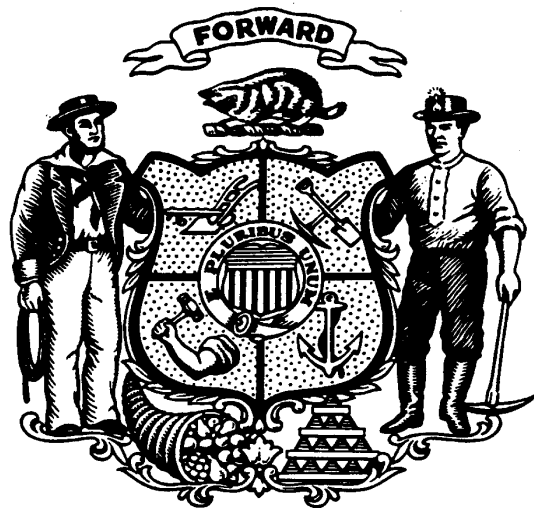
<b>Maturity Schedule</b>					
<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2002	\$ 2,310,000	4.50%	2012	\$ 3,410,000	5.00%
2003	2,390,000	4.50	2013	3,565,000	5.25
2004	2,475,000	4.50	2014	3,735,000	5.25
2005	2,570,000	4.50	2015	3,910,000	5.25
2006	2,665,000	4.50	2016	4,100,000	5.25
2007	2,770,000	4.50	2017	4,305,000	5.00
2008	2,885,000	4.50	2018	4,520,000	5.00
2009	3,005,000	4.50	2019	4,750,000	5.00
2010	3,130,000	4.50	2020	4,990,000	5.00
2011	3,265,000	4.50	2021	5,250,000	5.00

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of officers of the State and other public officials furnished to us, without undertaking to verify the same by independent investigation, and we have assumed compliance with and enforcement of the provisions of: (1) the Tax Regulatory Agreement, dated the date hereof, and (2) the Financial Assistance Agreement to be entered into between the State and each municipal borrower. The rights of the owners of the 2001 Series 1 Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar

laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The State has the valid right and lawful authority to issue the 2001 Series 1 Bonds, to provide financial assistance to local governmental units for the improvement of publicly owned wastewater treatment facilities, to adopt the Resolutions and to perform its obligations under the terms and conditions of the Resolutions.
2. The Resolutions have been duly and lawfully adopted by the Building Commission, are in full force and effect, and constitute valid and binding obligations of the State enforceable in accordance with their terms.
3. The General Resolution creates the valid pledge that it purports to create of the "Pledged Receipts," as defined in the General Resolution, and other revenues, receipts, funds or moneys pledged under the General Resolution.
4. The 2001 Series 1 Bonds are valid and binding revenue obligations of the State secured by a pledge in the manner and to the extent set forth in the General Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution on a parity with all other obligations that have been heretofore or may be hereafter issued under the General Resolution.
5. The 2001 Series 1 Bonds are not general obligations of the State, its agencies, instrumentalities or political subdivisions, and the 2001 Series 1 Bonds do not constitute "public debt" of the State as that term is used in the constitution and laws of the State. The State is not obligated to pay the principal or redemption price of or interest on the 2001 Series 1 Bonds from any funds of the State other than those pledged pursuant to the Resolutions, and neither the faith nor credit nor taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged to the payment of the principal or redemption price of or interest on the 2001 Series 1 Bonds.
6. The provisions of the Act relating to the State's moral obligation do not violate the constitution of the State or any law of the State, but such provisions do not constitute a legally enforceable obligation or create debt on behalf of the State.
7. Interest on the 2001 Series 1 Bonds is excluded for federal income tax purposes from the gross income of the owners of the 2001 Series 1 Bonds under existing law.
8. Interest on the 2001 Series 1 Bonds will not be included as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations, although it should be noted that interest on the 2001 Series 1 Bonds is included in a corporation's "modified alternative minimum taxable income" for the purposes of the tax imposed pursuant to Section 59A of the Code. Interest on the 2001 Series 1 Bonds is included in a corporation's "adjusted current earnings" for the purpose of adjustments to the "alternative minimum taxable income" of a corporation (other than an S corporation, a regulated investment company, a real estate investment trust or a REMIC) under Section 55 of the Code. Moreover, ownership of 2001 Series 1 Bonds may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry 2001 Series 1 Bonds. In addition, certain foreign corporations doing business in the United States may be subject to a "branch profits tax" on their effectively connected earnings and profits, including interest on the 2001 Series 1 Bonds.



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