STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

FILED PURSUANT TO UNDERTAKINGS PROVIDED TO PERMIT COMPLIANCE WITH
SECURITIES EXCHANGE COMMISSION RULE 15C2-12

GENERAL OBLIGATIONS
(Base CUSIPs 977055, 977056, and 97705L)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

CLEAN WATER REVENUE BONDS
(Base CUSIP 977092)

PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS
(Base CUSIP 977109)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

DECEMBER 26, 2008

JIM DOYLE
GOVERNOR

MICHAEL L. MORGAN
SECRETARY

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December 26, 2008

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2008 (**2008 Annual Report**).

The 2008 Annual Report provides information on different securities that the State issues and fulfills the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the 2008 Annual Report with each nationally recognized municipal securities information repository using the central post office provided by the Texas Municipal Advisory Council.

Official Statements for securities that the State issues during the next year may incorporate parts of this 2008 Annual Report by reference.

Organization of the 2008 Annual Report

The 2008 Annual Report is divided into eight parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.

- **Part II** presents **general information about the State**, including its operations and financial results. This part includes the General Purpose External Financial Statements portion of the audited Comprehensive Annual Financial Report for the fiscal year ending June 30, 2008. This part also includes the results of the 2007-08 fiscal year and the budget and updates for the 2008-09 fiscal year.

The remaining parts present information about different types of securities that the State issues.

- **Part III — General obligations (including bonds, commercial paper, and extendible municipal commercial paper)**
- **Part IV — Master lease certificates of participation**
- **Part V — Transportation revenue obligations (including bonds and commercial paper)**
- **Part VI — Clean water revenue bonds**
- **Part VII — Petroleum inspection fee revenue obligations (including bonds and extendible municipal commercial paper)**
- **Part VIII – General fund annual appropriation bonds (including bonds and auction rate certificates)**

Please note that certain terms may have different meanings in different parts.

Ratings on the State's Securities

The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues.

Security	Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
General Obligations	AA–	Aa3[1]	AA[2]
Master Lease Certificates of Participation	A+	A1[1]	AA–[2]
Transportation Revenue Bonds	AA	Aa3	AA+
Clean Water Revenue Bonds	AA+	Aa1	AA+
Petroleum Inspection Fee Revenue Bonds	AA–	Aa3	AA
General Fund Annual Appropriation Bonds	A+	A1[1]	AA–[2]

(1) On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general obligations, master lease certificates of participation, and general fund annual appropriation bonds from "stable" to "negative".

(2) On August, 15, 2008, Standard & Poor's Ratings Services changed its rating on the State's general obligations from "AA–" to "AA" and its rating on the State's master lease certificates of participation and general fund annual appropriation bonds from "A+" to "AA–".

How to Get Additional Information

If you are interested in information about securities that the State issues, please contact the Capital Finance Office. *The Capital Finance Office is the only party authorized to speak on the State's behalf about the State's securities.*

The Capital Finance Office maintains a web site that provides access to both disclosure and non disclosure information.

www.doa.wi.gov/capitalfinance

The Capital Finance Office posts to this web site monthly general fund cash flow reports. The Capital Finance Office also posts to this web site all information and material event filings that it makes with each nationally recognized municipal securities information repository.

We welcome your comments or suggestions about the format and content of the 2008 Annual Report. The general telephone number of the Capital Finance Office is (608) 266-2305. The e-mail address is **DOACapitalFinanceOffice@wisconsin.gov.**

Sincerely,

Frank R. Hoadley
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2008

	Principal Balance 12/15/2007	Principal Issued 12/15/2007 – 12/15/08	Principal Matured, Redeemed, or Defeased 12/1/2007 – 12/15/08	Principal Balance 12/15/2008
		GENERAL OBLIGATIONS[(a)]		
Total	**$5,781,428,689**	**$498,080,000**	**$340,127,259**	**$5,939,381,430**
General Purpose Revenue (GPR)	4,064,474,187	358,240,000	268,169,317	4,154,544,870
Self-Amortizing: Veterans	364,885,000	4,445,000	21,225,000	348,105,000
Self-Amortizing: Other	1,352,069,501	135,395,000	50,732,942	1,436,731,559
		MASTER LEASE CERTIFICATES OF PARTICIPATION		
Total	**$ 84,577,160**	**$15,800,680**	**$26,242,412**	**$74,135,428**
		TRANSPORTATION REVENUE OBLIGATIONS[(a)]		
Total	**$1,598,528,000**	**$185,000,000**	**$94,775,000**	**$1,688,753,000**
		CLEAN WATER REVENUE BONDS		
Total	**$ 729,575,000**	**$219,545,000**	**$83,085,000**	**$866,035,000**
		PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS [(a)]		
Total	**$ 252,320,000**	**—**	**$21,280,000**	**$231,040,000**
		GENERAL FUND ANNUAL APPROPRIATION BONDS[(a)]		
Total	**$1,794,850,000**	**$1,007,120,000**	**$944,850,000**	**$1,857,120,000**

(a) This table includes variable rate obligations that have been issued by the State. Please see the respective part of this Annual Report for more information on the variable rate obligations issued for each credit.

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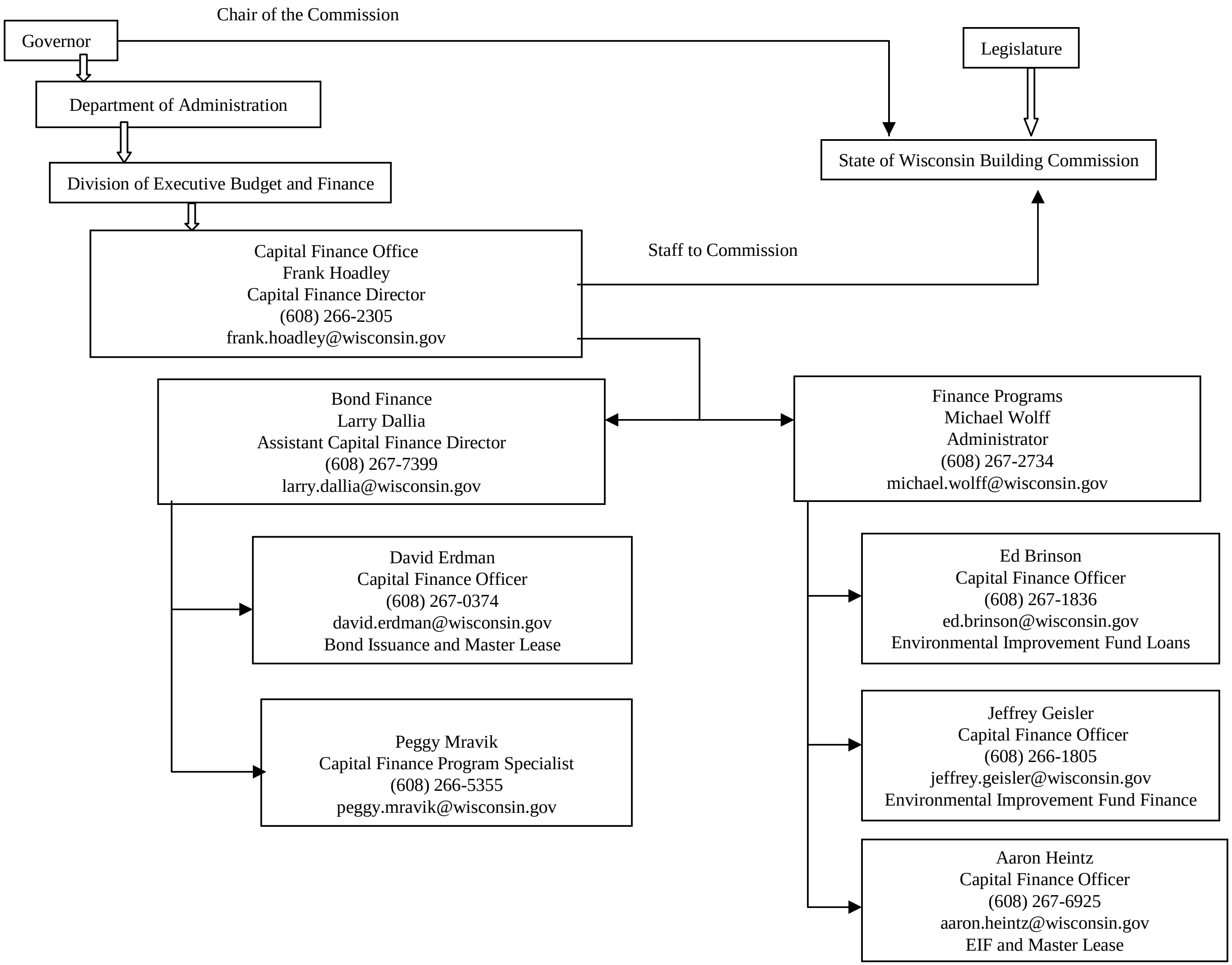
Capital Finance Office Staff (December 26, 2008)



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

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 2, 2011
Senator Fred A. Risser, Vice-Chairperson	January 4, 2009
Senator Ted Kanavas	January 4, 2009
Senator Jeffrey Plale	January 2, 2011
Representative Dean Kaufert	January 4, 2009
Representative Phil Montgomery	January 4, 2009
Representative Jennifer Shilling	January 4, 2009
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. David W. Helbach, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. J.B. Van Hollen State Attorney General	January 2, 2011
Mr. Michael L. Morgan, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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PART VIII

GENERAL FUND ANNUAL APPROPRIATION BONDS

This Part VIII of the 2008 Annual Report provides information about general fund annual appropriation bonds issued by the State of Wisconsin **(State)**.

Total Outstanding Balance (12/15/2008)	$1,857,120,000
Amount Outstanding; Fixed-Rate Obligations	$1,348,120,000
Amount Outstanding; Variable-Rate Obligations	$ 509,000,000[a]
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	27.41%[a]
Ratings[b] (Fitch/Moody's/Standard & Poor's)	
Bonds/Floating Rate Notes	A+/A1[c]/AA-
Corporate Equivalent Rating (Moody's)	Aa1[d]

[a] The State has hedged nearly all variable-rate obligations through interest rate exchange agreements with multiple counterparties.

[b] The ratings presented are the ratings assigned to the general fund annual appropriation bonds without regard to any bond insurance. No information is provided in the 2008 Annual Report about any rating currently assigned to the general fund annual appropriation bonds based on any bond insurance policy.

[c] On March 17, 2008, Moody's Investors Services, Inc. changed its rating outlook on the State's general fund annual appropriation obligations from "stable" to "negative".

[d] Applicable only to the 2003 Series A Bonds, 2008 Series A Bonds, and 2008 Series B Bonds.

General fund annual appropriation bonds have been issued to fund the State's unfunded accrued prior service (pension) liability, determined as of January 1, 2003, and the State's unfunded accrued liability for sick leave conversion, determined as of October 1, 2003, and to refund a portion of obligations previously issued for that purpose. General fund annual appropriation bonds are currently outstanding in the form of bonds and floating rate notes, and were issued pursuant to Authorizing Certifications of the Secretary of Administration and an Indenture dated December 1, 2003, as amended **(Indenture)**, by and between the State, acting by and through the State of Wisconsin Department of Administration **(DOA** or **Department of Administration**), and Deutsche Bank Trust Company Americas **(Trustee).** The Trustee serves as registrar and paying agent for the bonds that have been issued. The law firm of Foley & Lardner LLP provides bond counsel services to the State for the issuance of the general fund annual appropriation bonds.

The general fund appropriation bonds do not constitute debt of the State or any of its subdivisions. The State's obligation to make payments of the principal of and interest on the general fund annual appropriation bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature.

The Capital Finance Office, which is part of the Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs.

Requests for additional information about the general fund annual appropriation bonds may be directed as follows:

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: DOACapitalFinanceOffice@wisconsin.gov
Web site: www.doa.wi.gov/capitalfinance

The 2008 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in this Part VIII of the 2008 Annual Report may differ from those of terms used in another part. See "GLOSSARY" for the definitions of capitalized terms used in this Part VIII of the 2008 Annual Report. No information or resource referred to in this 2008 Annual Report is part of this 2008 Annual Report unless expressly incorporated by reference.

OUTSTANDING OBLIGATIONS

The State has issued general fund annual appropriation bonds on the dates and in the amounts shown in Table VIII-1. The table also includes the outstanding principal balances as of December 15, 2008.

Table VIII-1
OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE
(As of December 15, 2008)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Taxable Fixed-Rate Bonds				
2003- Series A **(2003 Series A Bonds)**	12/18/03	2013	$ 250,000,000	$ 250,000,000
Term Bond		2018	100,000,000	100,000,000
Term Bond		2026	500,000,000	500,000,000
2008- Series A **(2008 Series A Bonds)**	4/1/08	2009-18	498,120,000	498,120,000
Total Fixed-Rate Bonds				$1,348,120,000
Taxable Variable-Rate Obligations[a]				
2003- Series B **(2003 Series B Bonds)**	12/18/03	2009-32	$ 944,850,000	-0-
2008- Series B **(2008 Series B Bonds)**	4/1/08	2032	300,000,000	300,000,000
Series C **(2008 Series C Bonds)**	6/10/08	2032	209,000,000	209,000,000
Total Variable-Rate Obligations				$ 509,000,000
Total General Fund Annual Appropriation Bonds				$1,857,120,000

(a) The 2008 Series B Bonds and 2008 Series C Bonds were issued in the form of taxable floating rate notes. The State has hedged nearly all of its variable rate exposure from the 2008 Series B Bonds and 2008 Series C Bonds through interest rate exchange agreements with multiple counterparties.

The 2003 Series A Bonds, 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds are currently outstanding and are collectively referred to as the **Outstanding Bonds** and, together with the obligations, if any, issued in the future under the Indenture, as the **Bonds**. In addition, the 2003 Series A Bonds and 2003 Series B Bonds are collectively referred to as the **2003 Bonds**, and the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds are collectively referred to as the **2008 Bonds**.

FINANCING PLAN

This Part VIII of the 2008 Annual Report addresses the Outstanding Bonds, which were issued to fund the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion, and to refund all a portion of obligations previously issued for this purpose.

Possible Issuance of Other Appropriation Obligations

The State may issue appropriation obligations, other than pursuant to the Indenture. Wisconsin Statutes provide that, prior to July 1, 2009, the Department of Administration may issue appropriation obligations in an amount generally not to exceed $1.7 billion for the purpose of financing the purchase of tobacco settlement revenues that the State previously sold to the Badger Tobacco Asset Securitization Corporation.

General

The State issued the 2003 Bonds to provide funds for payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability, as of January 1, 2003, and its unfunded accrued liability for sick leave conversion credits, as of October 1, 2003. The State issued the 2008 Bonds to refund the 2003 Series B Bonds, to pay termination payments related to certain interest rate exchange agreements, to pay a portion of the funded interest on the Bonds during the 2007-08 fiscal year, and to pay costs of issuance. All Bonds were issued pursuant to Section 16.527, Wisconsin Statutes, as amended (**Enabling Act**), authorizing certifications signed by the Secretary of Administration, and the Indenture.

Statutory Authority for Issuance

The Enabling Act contains a legislative finding that the State, by prepaying part or all of its unfunded prior service liability and its unfunded liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.5 billion of net proceeds to make payments to the Retirement System for the State's unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits. The State has issued bonds providing $1.488 billion of net proceeds for those purposes. The Department is also authorized to issue bonds without limit to fund or refund Outstanding Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements (including Swap Agreements as defined below).

See "STATE OBLIGATIONS; Employee Pension Funds" in Part II of the 2008 Annual Report for further information on the Retirement System and prior service pension liabilities and other post employment benefits.

Interest Rate Exchange Agreements

To hedge its variable rate exposure in connection with the 2003 Series B Bonds, the State entered into interest rate exchange agreements in calendar years 2003 and 2005. The State terminated some, and portions of other, interest rate exchange agreements in conjunction with the issuance of the 2008 Bonds. The remaining interest rate exchange agreements **(Existing Swap Agreements)** hedge substantially all of the State's variable rate exposure with respect to the 2008 Series B Bonds and 2008 Series C Bonds. The Existing Swap Agreements provide for the State to pay interest at the fixed rates per annum of 5.47% and 4.661%, respectively, and to receive interest at a variable rate equal to a one-month LIBOR index, with the notional amounts declining over time in amounts that approximate the expected amortization of all Outstanding variable-rate Bonds. The counterparties on the Existing Swap Agreements are Citibank, N.A., New York, UBS AG, and JPMorgan Chase Bank, N.A..

Payments and Termination

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

Additional Bonds

The Indenture permits, subject to certain conditions, the issuance by the State of additional bonds for the following purposes **(Additional Bonds)**:

- to provide funds for payment to the Retirement System for any unfunded accrued prior service (pension) liability and any unfunded accrued liability for sick leave conversion credits, up to the remaining amounts provided for in the Enabling Act;
- to refund any Bonds; and
- to pay any cost of issuing Bonds (which includes accrued or funded interest, issuance expenses, deposits to reserve funds, administrative expenses, and credit enhancement facilities), or to make payments under any Swap Agreement.

The State anticipates that it will issue Additional Bonds under the Indenture to refund, on or prior to their maturity dates, all or part of the principal of certain maturities or sinking fund installments of the 2003 Series A Bonds and the 2008 Series A Bonds, and may issue Additional Bonds under other circumstances.

INFORMATION ABOUT THE STATE OF WISCONSIN

See Part II of the 2008 Annual Report for further information about the State of Wisconsin. Part II of the 2008 Annual Report includes information on various State financial, budgetary, and statistical matters.

PAYMENT FROM ANNUAL APPROPRIATIONS

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

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

General Fund

The State has chosen a name for the Bonds that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and intent (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to obligations such as the Bonds. The General Fund budget for the 2008-09 fiscal year includes an appropriation for debt service on the Bonds. A budget adopted for a future year, however, may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund).

2007-09 Biennium

Under the Indenture, the Department is required to take actions to facilitate the appropriation for each year of a specified amount **(Annual Appropriation Amount)** for the purpose of paying debt service on the Bonds and for other purposes under the Indenture. The General Fund budget adopted by the Legislature for the current biennium (2007-09) included appropriations that equaled the Annual Appropriation Amounts of $190.8 million for the 2007-08 fiscal year and $200.6 million for the 2008-09 fiscal year. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount".

Issuance of 2008 Bonds

Because the Annual Appropriation Amount is determined prior to the start of a biennium, no changes were made in the previously determined Annual Appropriation Amounts (and the amounts appropriated by the Legislature) for the 2007-09 biennium as a result of the issuance of the 2008 Bonds. As shown in Table VIII-2, the amounts appropriated for the current fiscal year are sufficient to fund all projected payments of principal of and interest due on the Bonds and net payments on the Existing Swap Agreements through June 30, 2009, although the Annual Appropriation Amount for the 2008-09 fiscal year would have been larger if the 2008 Bonds were issued prior to the determination of this amount.

In addition, the appropriation of the Annual Appropriation Amount for the 2008-09 fiscal year was based on the greater of the amount determined for that fiscal year and the amount determined for the first year of the next biennium (2009-10 fiscal year). See "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount". As shown in Table VIII-2, if the Legislature did not adopt a new budget before the start of the 2009-11 biennium, the continuing authority of appropriations from the 2008-09 fiscal year would be expected to be sufficient to make all projected payments of principal and interest due on the Bonds and net payments on the Existing Swap Agreements through June 30, 2010.

If the 2008 Series B Bonds and the 2008 Series C Bonds were to bear interest at rates significantly greater than 15% (the maximum rate for the 2003 Series B Bonds, on which the Annual Appropriation Amount for the 2008-09 fiscal year was based) and up to their respective maximum interest rates of 35% for the entire 2008-09 or 2009-10 fiscal year, and if amounts due from Swap Counterparties under the Existing Swap Agreements were not available to make such payments, and if the Budget Bill for the 2009-11 biennium was delayed late into the 2009-10 fiscal year, then the amount currently appropriated in the 2008-09 fiscal year may not be sufficient to pay debt service with respect to the Bonds. In such an event, the availability of funds would depend on the Legislature appropriating additional funds or the State issuing Additional Bonds. See "FINANCING PLAN; Statutory Authority for Issuance".

Table VIII-2
Summary of Appropriated Amounts, Projected Payments, and
Pro Forma Annual Appropriation Amounts
2008-09 and 2009-10 Fiscal Years

	2008-09 Fiscal Year	2009-10 Fiscal Year
Appropriated Amount[(a)]	$ 200,629,300	$ 200,629,300
Projected Payments; Determined Prior to Issuance of the 2008 Bonds[(b)]	103,176,207	107,636,244
Projected Payments; Determined After Issuance of the 2008 Bonds[(b)]	112,025,957	116,983,351
Pro Forma Annual Appropriation Amount[(c)]	264,061,163	262,999,933

(a) These amounts are equal to the Annual Appropriation Amounts that were determined at the time the 2007-09 biennial budget bill was prepared. The amount for the 2008-09 fiscal year is the existing appropriation. The amount for the 2009-10 fiscal year is based on continuing authority of the existing appropriation in the event the budget for the 2009-11 biennium is not in effect at the start of that fiscal year. Upon adoption of a Budget Bill for the 2009-11 biennium, the continuing authority of the existing appropriation would terminate, and the amount available for payment of the Bonds and other payments under the Indenture would be the amount appropriated for such purpose in that Budget Bill.

(b) These amounts assumed that all payments due the State pursuant to the Existing Swap Agreements would be made by the respective counterparties. Projected payments for Variable Rate Bonds were determined by taking the respective interest rates of the Existing Swap Agreements and adding the respective interest rate margins for the 2008 Series B Bonds and the 2008 Series C Bonds.

(c) The pro forma Annual Appropriation Amounts show what the Annual Appropriation Amounts would have been in the 2008-09 and 2009-10 fiscal years, if the 2008 Bonds were already issued at the time the Annual Appropriation Amounts for the 2007-09 biennium were determined. The pro forma Annual Appropriation Amounts include interest on the 2008 Series B Bonds and the 2008 Series C Bonds calculated at their maximum interest rate of 35%. These amounts have not been appropriated by the Legislature, and there are no plans to change the appropriated amounts prior to the adoption of the Budget Bill for the 2009-11 biennium.

Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change. The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in the biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. See Part II of the 2008 Annual Report for further information about the State's budget process.

Annual Appropriations and Continuing Authority

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two fiscal years that the biennium comprises, and any unused amount would lapse at the end of the fiscal year.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The biennial budget for the 2007-08 and 2008-09 fiscal years was not enacted until October 26, 2007, which is the second latest date, since 1967, that a budget has been adopted after the start of a fiscal year; the latest date occurred in early November of the first fiscal year of the related biennium. See Part II of the 2008 Annual Report and "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount".

Other Statutory Provisions

The Wisconsin Statutes include, in the schedule of annual appropriations, an appropriation from the General Fund to make debt service payments due in the current fiscal year on appropriation obligations (such as the Bonds) issued under the Enabling Act, to make payments under ancillary agreements, to make deposits into reserve funds, and to pay related issuance or administrative costs.

Determination of Annual Appropriation Amount

The Indenture contains several provisions regarding the budget process and the resulting appropriations. In the Indenture, the State directs officers of the Department of Administration to take actions to facilitate the appropriation for each fiscal year of a specified amount (**Annual Appropriation Amount**). The Annual Appropriation Amount equals the sum of the following amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater):

- *Bonds – Principal.* The amount of principal of Bonds coming due during the fiscal year.
- *Bonds – Redemption.* The amount of principal of Bonds to be redeemed during the fiscal year, including the amount to be redeemed pursuant to optional redemption determined based on the schedule or formula, if any, set forth in a Supplemental Indenture.
- *Bonds – Fixed Rate Interest.* Interest to be paid during the fiscal year on Bonds bearing interest at a fixed rate.
- *Bonds – Variable Rate Interest (Maximum Rate).* Interest that would be payable during the fiscal year on Bonds bearing interest at a variable rate, assuming they

bore interest at the maximum permitted rate, which is 35% for the 2008 Series B Bonds and 2008 Series C Bonds.

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

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

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

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

Table VIII-3 summarizes the calculation of the Annual Appropriation Amount for the current biennium, pursuant to the factors outlined above.

Table VIII-3
DETERMINATION OF ANNUAL APPROPRIATION AMOUNT

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

[a] First fiscal year of the next biennium.

[b] Determination made prior to the issuance of the 2008 Bonds. See Table VIII-2.

[c] Rounded down to the nearest hundred.

Table VIII-4 includes the amounts appropriated by the Legislature in each fiscal year since the date the Bonds were issued.

Table VIII-4
AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(br), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2004-05	$ 0[(a)]	$ 0[(a)]
2005-06	190,833,100	190,833,100
2006-07	190,833,100	190,833,100
2007-08	190,833,100	190,833,100
2008-09	200,629,300	200,629,300

(a) No Annual Appropriation Amounts were determined for the 2003-05 biennium since proceeds of the 2003 Bonds were deposited into several accounts under the Indenture and used to pay administrative costs and debt service on the-then-Outstanding Bonds.

Deposit Amount

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

As a result of proceeds from the 2003 Bonds being used in the 2003-04, 2004-05, and 2005-06 fiscal years to fund administrative costs and interest due on the Bonds, the 2006-07 fiscal year was the first fiscal year in which any amount was required to be transferred to the Trustee pursuant to this requirement.

Event of Nonappropriation

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

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

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of and interest on the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments.

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

No Collateral

Other than granting a security interest in money held in funds under the Indenture, the State has not pledged any collateral or other security to support payment of the principal of or interest on the Bonds. If the State were to fail to appropriate sufficient funds for that payment, the beneficial owners of the Bonds would not have any recourse against any other property of the State.

Nature of Moral Obligation

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

Legislative Decision-Making

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

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

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the State intends to refund the principal amount of the 2003 Series A Bonds maturing in 2013, and the principal amount of the 2008 Series A Bonds maturing in 2018, so that the principal will be repaid in smaller annual amounts over the following years. Depending on the timing of this intended refunding, the State may need to appropriate a larger amount than usual to account for the principal amount scheduled to mature. If the 2003 Series A Bonds maturing in

2013 or the 2008 Series A Bonds maturing 2018 were not so refunded, then both a larger appropriation and payment would be required.

Investment Loss

In the event a loss were incurred on appropriated funds held in funds or accounts under the Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See "GLOSSARY" for a description of qualified investments.

Existing Swap Agreements

The State has hedged nearly all of its variable-rate exposure on the 2008 Series B Bonds and 2008 Series C Bonds through the Existing Swap Agreements. The State is subject to certain risks as the result of the Existing Swap Agreements. As of November 28, 2008, the aggregate fair market value of the Existing Swap Agreements was negative $163 million. The fair market value may vary throughout the life of the Existing Swap Agreements due to changes in interest rates and swap market conditions.

Interest Rate Risks

Although the overall effective interest rate is synthetically fixed as a result of the Existing Swap Agreements, interest payments on the 2008 Series B Bonds and 2008 Series C Bonds and net swap payments will vary as interest rates vary.

Credit Risks

To the extent the fair market value of an Existing Swap Agreement were positive, the State would be subject to credit risk of the counterparty in the like amount. The ratings of counterparties to the Existing Swap Agreements also present the State with other credit risk factors. As of November 28, 2008, the lowest rating assigned to these counterparties was Aa1 by Moody's, AA– by Standard & Poor's, and A+ by Fitch Ratings. Under each of the Existing Swap Agreements and to mitigate the potential for credit risk, if any counterparty's credit rating falls below A3 by Moody's Investors Service or A- by either Standard & Poor's or Fitch Ratings, then the counterparty will be required to fully collateralize the fair market value of the Existing Swap Agreement. In addition, an event of termination occurs under an Existing Swap Agreement if the counterparty's credit rating falls below Baa2 by Moody's Investors Service or BBB by either Standard & Poor's or Fitch Ratings.

Termination Risks

Any Existing Swap Agreement may be terminated by the State upon two business days written notice, designating to the counterparty the termination date. In addition, either the State or the counterparty may terminate any Existing Swap Agreement if the other party fails to perform under the terms of the Existing Swap Agreement, or if other various events occur. If any Swap Agreement was terminated, the State would be unhedged and exposed to additional interest rate risk on a like amount of the 2008 Series B Bonds and 2008 Series C Bonds. In addition, if the terminated Existing Swap Agreement were to have a negative fair market value at the time of termination, the State would incur a loss and would be required to make a settlement payment to the counterparty. Termination payments, if required to be made, can be made, at the State's discretion, from the Stabilization Fund, or delayed until funds are available in the Subordinated Payment Obligations Fund or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

Market-Access and Rollover Risks

Each of the Existing Swap Agreements has a term that is equal to the related maturities of the 2008 Series B Bonds and 2008 Series C Bonds. In addition, since the notional amounts of the Existing Swap Agreements decline in a manner directly related to the scheduled amortization of the 2008 Series B Bonds and 2008 Series C Bonds, there is no market-access risk or rollover risk.

Additional Bonds

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

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. The summary does not purport to be complete, and reference should be made to the full text of the Indenture for a complete recital of its terms.

Funds Established by Indenture

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

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

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

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

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

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

The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition to the amounts specifically required by the Indenture. The State is permitted, but not required, to put additional amounts in the Stabilization Fund from time to time. The Stabilization Fund Amount is currently $32,935,000, but may be reduced after the 2003 Bonds are no longer Outstanding to an amount deemed reasonable, subject to Rating Confirmation.

The Bonds

The sum of the aggregate principal amount of Bonds issued to fund the State's unfunded prior service (pension) liability and unfunded liability for sick leave conversion credits may not exceed the limit set forth in the Enabling Act.

Deposit of Bond Proceeds to Funds and Accounts

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

- the amount representing accrued interest, if any, on the Bonds, and the amount, if any, representing Funded Interest, to be deposited in the Proceeds Account; and
- the amount, if any, to be deposited in any other fund or account as provided in the Closing Statement.

Issuance of Additional Bonds

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

- the proceeds of such Additional Bonds may be used only to pay the Payment or Payment Costs or to fund or refund Bonds issued for that purpose; and
- the aggregate amount of Bonds issued may not cause the authorization of the Enabling Act to be exceeded.

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

Prior to the delivery by the State of any of the Additional Bonds there must be filed with the Trustee:

- a Supplemental Indenture executed on behalf of the State by the Department of Administration and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale,
- a copy of the Authorizing Certification executed by the Secretary of Administration or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds,
- a request and authorization to the Trustee by the Department of Administration on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds, and
- evidence of a Rating Confirmation.

Redemption of Bonds

If the Bonds are to be called for redemption, and if sufficient monies are on deposit with the Trustee in the Debt Service Fund on the applicable redemption date to redeem the Bonds to be redeemed and to pay any interest and premium due thereon , the Trustee is authorized and directed to apply those funds to the payment of the Bonds to be redeemed. Interest on any Bonds called for redemption stops accruing on the date the notice of redemption fixes for their redemption if:

- notice of their redemption has been given as provided in the Indenture, and
- money sufficient for their payment is on deposit with the Trustee as required by the Indenture.

General Terms and Provisions of Bonds

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

General Covenants

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

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

Performance of Duties Under the Indenture and the Bonds

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

Nonimpairment

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

Budget Process and Appropriations

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

(a) while any Bonds are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under section 16.42, Wisconsin Statutes, for each Fiscal Year includes the Annual Appropriation Amount;

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

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

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

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

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

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

Trustee Notices Regarding Budget Process and Appropriations

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

- Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*," to the Governor and the presiding officer of each house of the Legislature of the State, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that the Secretary of Administration fails to include in the budget requests prepared under section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount;
- Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature of the State, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that a Budget Bill at any time fails to include the Annual Appropriation Amount; or
- Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event of an Event of Nonappropriation.

Event of Default

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

Appropriated Funds and Funds and Accounts

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

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

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Bonds), the Debt Service Accounts, and the Subordinated Payment Obligations Fund

(i) to the Stabilization Fund, or (ii) to the State, as directed in writing by an Authorized Department Representative.

Deposits Into and Use of Monies in the Appropriations Fund

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

No later than 30 days following the enactment of any separate bill or bills providing for an appropriation available for the payment of the Bonds, Swap Payment Obligations, and/or Credit Facility Obligations, for payment of issuance or administrative expenses or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund the amounts appropriated thereby.

No later than 30 days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment which is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

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

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

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

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

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

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

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

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

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

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

Use of Monies in the Debt Service Fund

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

- The unpaid interest due on the Bonds on each such Payment Date, and shall cause the same to be applied to the payment of said interest when due.
- The amount of each Parity Swap Payment Obligation due on such Payment Date, and shall cause the same to be paid to the applicable Swap Provider (provided that any Swap Termination Payment which is a Parity Swap Payment Obligation will be paid no later than 30 days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).
- The Principal Installment of such Bonds due on such Payment Date, and shall cause the same to be applied to the payment of such Principal Installment when due.
- The principal due upon optional redemption of such Bonds on such Payment Date, and shall cause the same to be applied to the payment of such principal when due, provided

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

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

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

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

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

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, and except as described under "SUMMARY OF THE INDENTURE; Defaults and Remedies" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap

Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another (and without regard to the deposit of amounts in a particular Debt Service Account). Notwithstanding anything in the Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with that appropriation.

Use of Monies in the Subordinated Payment Obligations Fund

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

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

Use of Monies in the Stabilization Fund

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

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

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

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

Use of Monies in the Operating Expense Fund

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

Payments to the State

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

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the Indenture which permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party (under the Indenture the money and securities are subject to the lien of the Trustee described under "SUMMARY OF THE INDENTURE; The Trustee").

Investments

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

- will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used,
- will be held by or under the control of the Trustee,
- will at all times be considered a part of the Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made,

- will have any loss attributable to them charged to the Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made, and
- in all other cases, will have any interest or profit derived from them retained in the Indenture Fund (and in the case of the Debt Service Fund, the account therein) from which the investment was made.

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

Discharge of Indenture

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

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

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

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

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

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

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

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

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

(e) if the payment of the Bonds has been provided for under (c)(2) or (c)(4) above, the Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the Indenture will not adversely affect the validity of any Bonds and

(ii) has given notice to the Registered Owners of the Bonds at the Registered Owner's Address of the actions taken under subsection (c) above,

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

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

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

- to execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the Indenture, and
- to assign and deliver to the Department of Administration any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest, on any Bonds).

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

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

Defaults and Remedies

Events of Default

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

- failure to pay when due the principal of (whether at maturity, upon redemption or otherwise), or premium, if any, or interest on, any Bonds or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay as required by the terms of the Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay when due the tender price on any Bond upon mandatory or optional tender for purchase as provided in the Indenture, except to the extent that such failure is due to an insufficiency of appropriated funds to make such payment with respect to any Bonds for which there is no liquidity facility; or

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

Remedies

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

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

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

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

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

Right to Direct Proceedings

Except as the Indenture or a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Bondowners, the Owners of the Bonds have the right to direct the exercise of any rights or remedies under the Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture. The Indenture provides that, so long as the applicable Bond Insurer is not in default under its Bond Insurance Policy, it will be treated as the Owner of the 2003 Series A Bonds, the 2008 Series C Bonds, or certain 2008 Series A and B Bonds for all purposes of declaring defaults directing remedies, and dealing with the Trustee under the Indenture. A Supplemental Indenture authorizing the issuance of a Series of Additional Bonds may provide for a Credit Issuer to have such rights with respect to a Series of Bonds entitled to the benefits of its Credit Facility. See "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers."

The directions of the Owners of Bonds are to be: (a) contained in a request which is signed by the Owners of at least a majority of the aggregate principal amount of each series of Bonds then

Outstanding and delivered to the Trustee, (b) in accordance with law and the provisions of the Indenture, and (c) accompanied by indemnification of the Trustee as is provided in the Indenture.

Application of Funds

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

> FIRST: To the payment of (i) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (ii) any Trustee's Expenses.
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> SECOND: To the payment of interest, principal, and premium, if any, then due on the Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of Article 9 of the Indenture) and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal, and premium, if any, and Parity Swap Payment Obligations then due ratably and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.
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> THIRD: Subject to the provisions of the Indenture described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund,"* to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amount due, to the persons entitled to it without discrimination or privilege.
>
> FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of any of the Indenture.

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

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

Remedies Vested in Trustee

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

Rights and Remedies of the Bondowners

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

- an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture or of which the Trustee is deemed to have notice by the terms of the Indenture,
- the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute an action, suit, or proceeding in its own name,
- the Trustee has been offered indemnity as provided in the Indenture, and
- the Trustee thereafter fails or refuses to exercise the powers granted in the Indenture or to institute an action, suit, or proceeding in its own name.

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

Waivers of Events of Default

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

The Trustee

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

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, but only upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien with right to payment prior to payment on account of the principal of, and premium, if any, and interest on, any Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation upon the

Trust Estate and any other collateral securing the Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation for the payment of the Trustee's Expenses. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture.

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

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

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

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

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

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

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

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

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

It is the intent of the State and the Trustee that the Indenture not violate the law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in that jurisdiction. It is recognized that in case of litigation under the Indenture, and in particular in case of the enforcement on an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the Indenture or hold title to the Trust Estate or take any other action which may be desirable or necessary in connection therewith, it may be necessary for the Trustee to appoint an additional individual or institution as a separate or co-trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers

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

- to provide for the issuance of Additional Bonds;
- to cure any ambiguity or formal defect or omission in the Indenture;
- to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee, provided that such amendment does not adversely affect the rights or interests of any Swap Provider;
- to subject additional revenues, properties, or collateral to the Indenture; or
- to supplement the Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners, or any Swap Provider.

Supplemental Indentures Requiring the Consent of Bondowners and Swap Providers

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

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee agrees, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Bonds at the Registered Owner's Address subject, for so long as the Bonds are in Book Entry System, to the applicable Letter of Representations. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Bond. If, within 60 days or any longer period prescribed by the State following the mailing of the notice, consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions of the Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the Indenture, the Indenture is modified and amended in accordance with it.

A Supplemental Indenture provides that the Owners of the 2008 Series C Bonds shall be deemed to have consented to any future Supplemental Indenture that (a) reduces the Stabilization Fund

Amount to an amount not less than that set forth in clause (ii) of the definition of such term in the "GLOSSARY," or (b) provides that the consent of Owners of a Series of Bonds is not needed to authorize a Supplemental Indenture that does not affect the Owners of such Series.

Certain Rights of Credit Issuers

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

No information is provided in this Part VIII of the 2008 Annual Report about any credit rating currently assigned to the obligations of any Credit Issuer for any Outstanding Bonds.

Miscellaneous

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

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

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

GLOSSARY

The following definitions apply to capitalized terms used in this Part VIII of the 2008 Annual Report.

2003 Bonds means the 2003 Series A Bonds and the 2003 Series B Bonds.

2003 Series A Bonds means the $850,000,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate).

2003 Series B Bonds means the $944,850,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series B (Taxable Auction Rate Certificates), which were refunded in full with proceeds of the 2008 Bonds.

2008 Bonds means the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds.

2008 Series A Bonds means the $498,120,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series A (Taxable Fixed Rate).

2008 Series B Bonds means the $300,000,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes).

2008 Series C Bonds means the $209,000,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bondowner means the Registered Owner of a Bond.

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

Bond Insurers means (a) with respect to the 2003 Series A Bonds, the 2008 Series C Bonds, and certain 2008 Series A Bonds and 2008 Series B Bonds, Financial Security Assurance Inc., and (b) with respect to any Series of Additional Bonds, any Person that issues a Bond Insurance Policy insuring such Series of Bonds, as identified in the applicable Supplemental Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance Obligations means noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America, not redeemable at the option of the State or anyone acting on its behalf prior to maturity. The Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2003 Series A Bonds, the 2008 Series C Bonds, and certain of the 2008 Series A and B Bonds and provides that a Supplemental Indenture authorizing a Series of Additional Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Additional Bonds.

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

Deposit Amount means the amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any amount set forth in a schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which Additional Bonds are issued), interest on Bonds, and any Swap Payment Obligations (other than

Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds.

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

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

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

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

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

Fitch shall mean Fitch Ratings and its successors and assigns.

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

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

Governor means the governor of the State.

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

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

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

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

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

Maximum Rate means the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State. With respect to the 2008 Series B Bonds and 2008 Series C Bonds, the State established a maximum rate of 35%.

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

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

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

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

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

- Bonds or portions of Bonds after (i) payment at maturity or redemption prior to maturity (unless the Indenture or a Supplemental Indenture otherwise provides in the case of Bonds that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed), or (ii) delivery to the Trustee by the State for cancellation pursuant to the Indenture,
- Bonds for the payment or redemption of which there has been irrevocably deposited with the Secretary of Administration or Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act.
- Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange, or replacement as provided in the Indenture, and
- for purposes of any agreement, acceptance, approval, waiver, consent, request, or other action to be taken under the Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the State.

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

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

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

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

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

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

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

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

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

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

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

- direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association, or any corporation chartered by an act of Congress,
- securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,
- unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,
- certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks, and credit unions located in the State,
- banker's acceptances accepted by banks located in the United States,
- commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and
- any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law.

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

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

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

Redemption Notice Information means information in a written and dated notice from the Trustee which:

- identifies the Bonds to be redeemed by the name of the issue (including the name of the State and any Series designation), CUSIP number, if any, date of issue, interest rate (for Fixed Rate Bonds), maturity date, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed,
- identifies the date on which the notice is published and the date on which the Bonds will be redeemed,
- states the price at which the Bonds will be redeemed,
- states that interest on the Bonds or the portions of them called for redemption will stop accruing from the redemption date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the redemption date,
- states that payment for the Bonds will be made on the redemption date at the Designated Trust Office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part,
- identifies by name and phone number a representative of the Trustee who may be contacted for more information, and
- in the case of redemption of a Series of Bonds for which such a notice is authorized, states that such call for redemption is contingent upon the availability of Appropriated Funds to pay the Redemption Price thereof in full or upon the satisfaction of other conditions.

For so long as a Series of Bonds are in a Book Entry System, Redemption Notice Information also includes the information and procedures described in the applicable Letter of Representations.

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

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

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

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

Secretary of Administration means the Secretary of the Department.

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

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

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

State means the State of Wisconsin.

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

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

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

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

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

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

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

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

Trustee's Consent means the prior written consent of the Trustee.

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

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

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

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