OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the 2012 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

$251,555,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2012, SERIES A
(TAXABLE)

Dated: Date of Delivery **Due: May 1, as shown below**

Ratings	AA– Fitch Ratings Aa3 Moody's Investors Service, Inc. AA– Standard & Poor's Ratings Services
Interest Payment Dates	May 1 and November 1, commencing May 1, 2013.
Redemption	The 2012 Bonds maturing on or after May 1, 2027 are subject to optional redemption on May 1, 2022 or any date thereafter—*See pages 5-6.*
Source of Payment	Debt service on the 2012 Bonds is payable from the State's General Fund, subject to annual appropriation. The 2012 Bonds are not general obligations of the State—*See pages 8-13.*
Tax Matters	Interest on the 2012 Bonds is subject to federal income tax and State of Wisconsin income and franchise tax—*See page 17.*
Purpose	The 2012 Bonds are being issued to refund the May 1, 2013 maturity of the State's General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate), which were issued at that time for payment on the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits—*See pages 2-4.*
Settlement/Closing	On or about November 29, 2012.
Denominations	Multiples of $5,000
Book-Entry System	The Depository Trust Company—*See pages 7-8.*
Bond Counsel	Quarles & Brady LLP—*See page 17.*
Trustee	Deutsche Bank Trust Company Americas
Issuer Contact	Wisconsin Capital Finance Office; (608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov
2011 Annual Report	This Official Statement incorporates by reference Parts I, II, and VIII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011—*See APPENDIX A.*

The prices and yields listed below were determined on November 5, 2012 at negotiated sale. The 2012 Bonds were purchased at an aggregate purchase price of $250,269,577.17.

CUSIP	Due (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (May 1)	Call Price
977100 CM6	2015	$ 34,545,000	0.798%	0.798%	100%	Not Callable	-
977100 CN4	2016	33,895,000	1.077	1.077	100	Not Callable	-
977100 CP9	2017	32,865,000	1.317	1.317	100	Not Callable	-
977100 CQ7	2018	36,635,000	1.644	1.644	100	Not Callable	-
977100 CR5	2027	18,110,000	3.669	3.669	100	2022	100%
977100 CS3	2028	23,735,000	3.769	3.769	100	2022	100
977100 CT1	2029	21,320,000	3.869	3.869	100	2022	100
977100 CU8	2030	23,835,000	3.939	3.939	100	2022	100
977100 CV6	2031	26,615,000	4.019	4.019	100	2022	100

Jefferies **Citigroup** **Ramirez & Co., Inc.**

Barclays **M.R. Beal & Company** **Morgan Stanley** **Goldman, Sachs & Co.**

November 5, 2012

This document is called the Official Statement because it is the only document the State has authorized for providing information about the 2012 Bonds. This document is not an offer or solicitation for the 2012 Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the 2012 Bonds, and anything else related to the offering.

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

Certain statements in this document are forward-looking statements that are based on expectations, estimates, projections, or assumptions. Forward-looking statements contained in this document are made as of the date hereof, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

Some of the people who prepared, compiled, or reviewed this information had specific functions that covered some aspects of the offering but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the 2012 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the 2012 Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly incorporated.

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2012 BONDS

GOVERNOR

Governor Scott Walker
Term of office expires on January 5, 2015

SECRETARY OF ADMINISTRATION

Mr. Mike Huebsch
Serves at the pleasure of the Governor

STATE ATTORNEY GENERAL

Mr. J.B. Van Hollen
Term of office expires on January 5, 2015

DEBT MANAGEMENT AND DISCLOSURE

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

Mr. Frank R. Hoadley
Capital Finance Director
(608) 266-2305

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

SUMMARY DESCRIPTION OF 2012 BONDS

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

Description:	State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable)
Principal Amount:	$251,555,000
Denominations:	Multiples of $5,000
Date of Issue:	Date of delivery (on or about November 29, 2012)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning May 1, 2013
Maturities:	May 1, 2015-2018 and 2027-2031—*See front cover*
Redemption:	*Optional*—The 2012 Bonds maturing on or after May 1, 2027 are subject to optional redemption on May 1, 2022 or any date thereafter—*See pages 5-6*
Form:	Book-entry-only—*See pages 7-8*
Paying Agent:	All payments of principal of, and interest on, the 2012 Bonds will be paid by the Trustee. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	Debt service on the 2012 Bonds is payable from the State's General Fund, subject to annual appropriations. The 2012 Bonds are not general obligations of the State of Wisconsin—*See pages 8-13*
Additional Bonds:	The State may issue additional general fund annual appropriation bonds under the Indenture—*See pages 4-5*
Authority for Issuance:	The 2012 Bonds are authorized by Section 16.527 of the Wisconsin Statutes, as amended, and issued pursuant to the Indenture and an Authorizing Certification—*See pages 2*
Purpose:	The 2012 Bonds are being issued to refund the May 1, 2013 maturity of the State's General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate) —*See pages 3-4*
Tax Matters:	Interest on the 2012 Bonds is subject to federal income tax and State of Wisconsin income or franchise tax—*See pages 17*
Legal Opinion:	Validity opinion to be provided by Quarles & Brady LLP—*See page C-1*

OFFICIAL STATEMENT

$251,555,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2012, SERIES A (TAXABLE)

INTRODUCTION

This Official Statement sets forth information concerning the $251,555,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable) (**2012 Bonds**). This Official Statement includes by reference Parts II and VIII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011 (**2011 Annual Report**). See APPENDIX A.

The 2012 Bonds are being issued to refund the May 1, 2013 maturity of the State's General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate), which were issued to provide funds for payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits. The 2012 Bonds are issued pursuant to Section 16.527 of the Wisconsin Statutes, as amended (**Enabling Act**), and an authorizing certification signed by the Secretary of Administration **(Authorizing Certification)**. The 2012 Bonds are issued under a Trust Indenture, dated as of December 1, 2003, between the State, acting by and through its Department of Administration (**Department** or **DOA**), and Deutsche Bank Trust Company Americas, New York, New York, as trustee (**Trustee**), as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, a Second Supplemental Trust Indenture, dated as of April 1, 2008, a Third Supplemental Trust Indenture, dated as of June 1, 2008, and a Fourth Supplemental Trust Indenture, dated as of November 1, 2012 **(Fourth Supplemental Trust Indenture)**, all between the State, acting by and through the Department, and the Trustee (collectively, as supplemented and amended, **Indenture.**) The Enabling Act and the Indenture establish a framework for the issuance and sale of evidences of appropriation obligations, including the 2012 Bonds, all previously issued general fund annual appropriation obligations issued under the Indenture, and any additional bonds delivered under the Indenture (**Additional Bonds**) (collectively, the **Bonds**). Selected terms and provisions of the Indenture are summarized in APPENDIX B.

Pursuant to the Authorizing Certification, the Department is empowered by law to authorize, issue, and sell the 2012 Bonds on the State's behalf. This Official Statement contains information furnished by the State or obtained from the sources indicated.

THE STATE

The State is a sovereign state of the United States of America and a frequent issuer of debt securities. The State's power and functions derive from the Wisconsin Constitution, which vests the legislative power in a senate and an assembly (**Legislature**). The State's power is limited by the Wisconsin Constitution and also by federal law and jurisdiction.

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

The State provides many essential services to its citizens, including, among others, education, health and human services, transportation, environmental protection, and public safety programs. The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. The budget adopted by the Legislature in June 2011 for the current biennium, which began on July 1, 2011 and extends through June 30, 2013, anticipated total revenues in the State's general fund (**General Fund**) and other segregated revenues of over $31.706 billion for the first fiscal year and $32.396 billion for the second fiscal year.

Information concerning the State and its financial condition is included as APPENDIX A, which incorporates by reference Part II and VIII of the 2011 Annual Report. APPENDIX A also includes updated information, or makes changes or additions to, Part II of the 2011 Annual Report, including, but not limited to:

- Annual Fiscal Report (budgetary basis), dated October 15, 2012, for the 2011-12 fiscal year, including summary of actual General Fund tax collections for the 2011-12 fiscal year.
- Updated projections of General Fund tax collections for the 2011-13 biennium, as provided by the State's Department of Revenue to the State's Department of Administration and referenced in a memorandum provided by the Department of Administration on May 10, 2012 **(May 10, 2012 DOA Memorandum)**.
- General Fund information for the 2011-12 fiscal year through June 30, 2012, which is presented on either a cash basis or an agency-recorded basis, and General Fund information for the 2012-13 fiscal year through September 30, 2012, which is presented on a cash basis.

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

Contact:	State of Wisconsin Capital Finance Office Department of Administration Attn: Capital Finance Director
Mail:	101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
Phone:	(608) 266-2305
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov/capitalfinance

PLAN OF FINANCE

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 accrued 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 $1,500,000,000 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 Department issued Bonds in 2003 providing all but $12 million of these 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, such as Swap Agreements as defined below. A portion of the Bonds issued in 2003 and all of the Bonds issued in 2008 were also for these purposes.

Outstanding Obligations

As of October 1, 2012 the following Bonds were outstanding:

OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE[(a)]
(As of October 1, 2012)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Bonds				
2003- Series A (Taxable) **(2003 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 (Taxable) **(2008 Series A Bonds)**	4/1/08	2009-18	498,120,000	442,570,000
Total Fixed-Rate Bonds				$1,292,570,000
Variable-Rate Obligations[(b)]				
2008- Series B (Taxable) **(2008 Series B Bonds)**......	4/1/08	2026-32	$ 300,000,000	$ 300,000,000
Series C (Taxable) **(2008 Series C Bonds)**	6/10/08	2009-32	209,000,000	197,270,000
Total Variable-Rate Obligations				$ 497,270,000
		Total Bonds		$1,789,840,000

(a) In addition, the State has issued its General Fund Annual Appropriation Bonds of 2009, Series A **(2009 GFAABs**) pursuant to a separate indenture to purchase tobacco settlement revenues that were previously sold by the State to the Badger Tobacco Asset Securitization Corporation and to pay costs of issuance. As of October 1, 2012, the 2009 GFAABs were outstanding in the amount of $1,511,230,000; the debt service on such obligations is paid from a General Fund appropriation that is different than the appropriation for debt service on the Bonds.

(b) The State has hedged nearly all its variable rate exposure from the 2008 Series B Bonds and 2008 Series C Bonds through interest rate exchange agreements with multiple counterparties.

Plan of Refunding

As provided for in the Enabling Act, the 2012 Bonds are being issued for the refunding of the May 1, 2013 maturity of the 2003 Bonds **(Refunded Bonds)** and to pay for issuance or administrative expenses. The principal amount of the Refunded Bonds is $250 million. The intent, when the 2003 Bonds were issued, was to issue Additional Bonds for the purpose of refunding the Refunded Bonds.

To provide for the refunding, 2012 Bond proceeds, and other monies deposited with the Trustee on July 1, 2012, will be used to purchase non-callable direct obligations of the United States of America **(Government Obligations)**. These Government Obligations, with the interest to be earned thereon, will be sufficient to pay when due the principal of, and interest on, the Refunded Bonds on May 1, 2013. The Government Obligations and the interest earnings thereon will be held in an escrow fund held by the Trustee solely for the benefit of the owners of the Refunded Bonds **(Escrow Fund)**, pursuant to the Fourth Supplemental Trust Indenture and an escrow agreement (which may be in the form of an instruction letter) between the State and Trustee. The Escrow Fund will be held by the Trustee in trust to make the principal and interest payment due on May 1, 2013 on the Refunded Bonds. The arithmetical accuracy of the computations of the sufficiency of the amounts deposited into the Escrow Fund for this purpose will be independently verified by Samuel Klein and Company, Certified Public Accountants **(Verification Agent)**. No fees or other charges of the Trustee may be paid from moneys in the Escrow Fund; instead, the State will pay all such fees and charges from other proceeds of the 2012 Bonds.

In the opinion of Bond Counsel, upon the State making the deposit into the Escrow Fund and satisfaction of such other conditions as set forth in the Indenture, the Refunded Bonds will be deemed to be defeased for purposes of the Indenture and will no longer be considered outstanding under the Indenture. An amount previously deposited in the Debt Service Fund for interest due May 1, 2013 on the Refunded Bonds will be transferred to, and made part of, the Escrow Fund upon the delivery of the 2012 Bonds.

Sources and Uses of Funds

The proceeds from the sale of the 2012 Bonds are expected to be used as follows:

Sources	
Principal Amount of 2012 Bonds	$251,555,000.00
TOTAL SOURCES	$251,555,000.00
Uses	
Deposit to Escrow Fund	$250,000,000.00
Underwriters' Discount	1,285,422.83
Deposit to Operating Expense Fund/Costs of Issuance	269,577.17
TOTAL USES	$251,555,000.00

Interest Rate Exchange Agreements

To hedge its variable rate exposure in connection with the 2008 Series B Bonds and the 2008 Series C Bonds, the State continues, in part, interest rate exchange agreements that it had entered into in calendar years 2003 and 2005 and terminated, in part, in calendar year 2008 **(Existing Swap Agreements).** The Existing Swap Agreements provide for the State to pay interest at the fixed rates per annum of 5.47% and 4.661% per annum, 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 aggregate amortization of the 2008 Series B Bonds and the 2008 Series C Bonds. The counterparties on the Existing Swap Agreements and their current notional amounts under such agreements are:

Counterparty	Current Notional Amount
Citibank, N.A., New York	$140,648,750
UBS AG	166,221,250
JPMorgan Chase Bank, N.A.	181,530,000

The 2012 Bonds are fixed-rate obligations and the Department has not entered, nor does it intend to enter into, any interest rate exchange agreement with respect to the 2012 Bonds.

In addition, 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 respective 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 make a termination payment. The Enabling Act provides authority for the State to issue Additional Bonds to make this payment. Money held in the respective Debt Service Fund may be applied to a termination payment under a Swap Agreement only if the termination payment was due on September 1st 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 1st 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 respective Subordinated Payment Obligations Fund.

Additional Bonds

Subject to certain conditions, the issuance by the State of Additional Bonds under the Indenture for the following purposes is permitted:

- 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, as discussed above, or credit facility.

The State anticipates that it will issue Additional Bonds under the Indenture to refund, on or prior to their maturity date, all, or part of, the principal of the 2008 Series A Bonds maturing on May 1, 2018, and may issue Additional Bonds under other circumstances.

THE 2012 BONDS

General

The 2012 Bonds will be dated the date of their issuance. The 2012 Bonds will be issued as fully registered bonds, in principal denominations of $5,000 or multiples thereof. The 2012 Bonds are initially being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Department has appointed, as the securities depository for the 2012 Bonds, the Depository Trust Company (**DTC**). Each 2012 Bond will bear interest from that date, payable on May 1, 2013 and semiannually thereafter on each May 1 and November 1 until its maturity date. The 2012 Bonds will bear interest at the rates shown on the inside front cover, computed on the basis of a 30-day month and a 360-day year.

Optional Redemption

The 2012 Bonds maturing on or after May 1, 2027 are subject to redemption prior to their maturity, at the option of the State, in whole or in part in multiples of $5,000 (and if in part, as described below under "THE 2012 BONDS; Selection of 2012 Bonds for Redemption") on May 1, 2022 or any date thereafter, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date.

Selection of 2012 Bonds for Redemption

If some but less than all the 2012 Bonds are to be redeemed on any date, the State shall select the aggregate principal amounts of each stated maturity to be redeemed. Redemption payments on the 2012 Bonds of any particular stated maturity being redeemed in part will be made on a pro rata basis (based on aggregate principal amount) to each registered owner in whose name such 2012 Bonds of such stated maturity are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date (the securities depository so long as the book-entry-only system is in effect).

While the 2012 Bonds are in the book-entry-only system and so long as DTC is the sole registered owner of the 2012 Bonds, if some but less than all the 2012 Bonds of a particular maturity are to be redeemed on any date, the State shall instruct DTC to provide for the pro rata redemption following its procedures as a pro rata pass-through distribution of principal, or if DTC procedures do not allow for pro rata pass-through distribution of principal, the 2012 Bonds to be redeemed shall be selected on a pro rata basis; provided that, so long as such 2012 Bonds are registered in the book-entry-only system, the selection for redemption of the 2012 Bonds will be made in accordance with the operational arrangements of DTC then in effect.

It is the State's intent that redemption allocations of 2012 Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the State cannot provide any assurance that DTC, DTC Participants (as defined herein), or any other intermediary will allocate the redemption of the 2012 Bonds on such basis, nor will the State be responsible for any failure of DTC, DTC Participants, or any other intermediary to do so. If DTC operational arrangements do not allow for the redemption of the 2012 Bonds on a pro rata pass-through distribution of principal basis, then the 2012 Bonds to be redeemed will be selected for redemption on a pro rata basis.

So long as the 2012 Bonds are in the book-entry-only system, there will be only one registered owner, and neither the State nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the 2012 Bonds. See "THE 2012 BONDS; Book-Entry System."

Notice of Redemption of 2012 Bonds

The Trustee shall send a notice of any redemption of 2012 Bonds, by first class, registered, or certified mail or, for so long as the 2012 Bonds are in the book-entry-only system, as otherwise agreed by the State and the securities depository, to the registered owner of each 2012 Bond which will be redeemed in whole or in part, at the address for the registered owner shown in the registration books. Such notice will include the redemption notice information as provided under the Indenture and will be provided at least 30 days but not more than 60 days prior to the date fixed for the redemption. Failure to give a notice of redemption or any defect in any such notice does not affect the validity of the proceedings for the redemption of any 2012 Bonds for which proper notice was given.

Any notice of redemption of 2012 Bonds may state that it is contingent upon the availability of appropriated funds to pay the full redemption price of the 2012 Bonds to be redeemed, or upon the satisfaction of such other conditions as an authorized Department representative may direct. At such time as the Department determines that any condition to such a redemption will not be met, it shall so notify the Trustee. Upon receipt of such notice, the Trustee shall send notice to the owners of the 2012 Bonds to which redemption notices were sent, in the same manner in which the redemption notices were sent, stating that the redemption will not occur and that the 2012 Bonds identified in the redemption notice will remain outstanding.

Interest on any 2012 Bonds or portions of such 2012 Bonds called for redemption stops accruing on the redemption date if notice of their redemption has been given as provided in the Indenture, any conditions to the redemption set forth in the notice as described in the preceding paragraph have been satisfied, and money sufficient for their payment is on deposit with the Trustee as required by the Indenture.

If any such notice states that it is contingent, then the failure to pay the redemption price of the 2012 Bonds otherwise to be redeemed due to the failure of the conditions identified therein shall not constitute an event of default or give rise to any remedy of the owners of the 2012 Bonds.

Registration and Payment of 2012 Bonds

How the 2012 Bonds are paid depends on whether or not they are in book-entry-only form. While the 2012 Bonds are in book-entry-only form (as they are initially), payment of principal of and premium, if any, will be made by wire transfer to the securities depository or its nominee. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

The record date of the 2012 Bonds is the 15th day of the calendar month before the interest payment date. The Trustee serves as the registrar and paying agent for the 2012 Bonds. The following is contact information for the Trustee:

Contact:	Deutsche Bank Trust Company Americas Corporate Trust & Agency Services
Phone:	(312) 537-1159
Mail:	222 South Riverside Plaza Chicago, IL 60606

Ratings

The following ratings have been assigned to 2012 Bonds:

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

Any explanation of what a rating means may only be obtained from the rating organization giving the rating. No one can offer any assurance that a rating given to the 2012 Bonds will be maintained for any period of time; a rating organization may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the 2012 Bonds.

Book-Entry System

The 2012 Bonds will initially be issued in book-entry-only form. Purchasers of the 2012 Bonds will not receive bond certificates but instead will have their ownership in the 2012 Bonds recorded in the book-entry system.

Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2012 Bonds. Ownership of the 2012 Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). All transfers of ownership in the 2012 Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The Trustee will make all payments of principal of, and interest and any redemption premium on, the 2012 Bonds to DTC. Owners of the 2012 Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State or Trustee will provide notices and other communications about the 2012 Bonds to DTC. Owners of the 2012 Bonds will receive any notices or communications through the DTC Participants. In any situation involving rights, DTC will not vote but will rather give a proxy through the DTC Participants.

Redemption

If less than all of the 2012 Bonds of a given maturity are being redeemed, the State shall instruct DTC to provide for the pro rata redemption following its procedures as a pro rata pass-through distribution of principal, or if DTC procedures do not allow for pro rata pass-through distribution of principal, DTC will determine on a pro rata basis the amount of 2012 Bonds to be redeemed from each DTC Participant. See "THE 2012 BONDS; Selection of 2012 Bonds for Redemption."

Discontinued Service

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, Bond certificates would be executed and delivered to DTC Participants.

Further Information

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. Neither the State nor the Trustee is responsible for any information available on DTC's web site. That information may be subject to change without notice. Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2012 Bonds or to follow the procedures established by DTC for its book-entry system.

Possible Discontinuance of Book-Entry System

In the event the 2012 Bonds were not in book-entry-only form, how the 2012 Bonds are paid and redeemed would differ.

Payment

Payment of principal of and premium, if any, will be made (i) by check issued upon the presentation and surrender of the 2012 Bonds at the designated office of the Trustee or (ii) in such other fashion as is agreed upon between a registered owner and the Trustee, including without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee. Interest on the 2012 Bonds will be paid to the registered owner shown in the registration books on the Record Date, which is the 15th day of the month (whether or not a business day) of the month preceding the Interest Payment Date (i) by check mailed by first class mail, (ii) by wire transfer to any bank in the continental United States, to any securities depository or a registered owner of $1,000,000 or more in aggregate principal amount of Bonds who, by written request delivered to the Trustee no later than the record date for the payment, has requested the Trustee to make any payments of interest due to it at a specified wire transfer address (which request needs to be given only once unless the registered owner wishes to change the wire transfer address), or (iii) in such other fashion as is agreed upon between a registered owner and the Trustee, including without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee.

Redemption

If less than all of a particular maturity of the 2012 Bonds is to be redeemed, the particular 2012 Bonds or portions of the 2012 Bonds to be redeemed will be selected on a pro rata basis among the registered owners of the outstanding 2012 Bonds of such maturity by application of a fraction the numerator of which is the principal amount of 2012 Bonds of such maturity held by the registered owner and the denominator of which is the principal amount of all 2012 Bonds of such maturity then outstanding; provided, however, that if for a registered owner of 2012 Bonds of such maturity the pro rata redemption will not result in a denomination of $5,000 or multiple thereof **(Uneven Amount)**, then the amount to be redeemed allocable to such Uneven Amount will be determined by the Trustee in any commercially reasonable manner, which may include allocating such additional redemptions by rounding to the nearest denomination of $5,000 or by lot, or both. Any notice of the redemption of any 2012 Bonds would be mailed by first class, registered or certified mail, at least 30 days but not more than 60 days prior to the date of redemption to the registered owners of any 2012 Bonds to be redeemed. Interest on any 2012 Bond called for redemption will cease to accrue on the redemption date so long as the 2012 Bond was paid or money was on deposit with the Trustee for its payment.

PAYMENT FROM ANNUAL APPROPRIATIONS

The 2012 Bonds are not general obligations of the State, and the 2012 Bonds 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 2012 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 2012 Bonds, and if it does not do so, it incurs no liability to the owners of the 2012 Bonds. Thus, payment of the 2012 Bonds is at the discretion of the Legislature.

Other General Fund Annual Appropriation Obligations

In addition to the 2012 Bonds and other Bonds issued under the Indenture, the State previously issued and has outstanding $1.511 billion of 2009 GFAABs that were issued pursuant to a separate trust indenture in calendar year 2009 for purposes different than the Bonds. Payment of the principal of, and premium, if any, and interest on the 2009 GFAABs is from a General Fund appropriation that is different than the appropriation for debt service on the Bonds.

General Fund

The Wisconsin Statutes establish the General Fund, into which are deposited income tax, sales tax, and other general tax revenues and other revenues not dedicated to a specific purpose. Out of the General Fund the State pays its general operating expenses, shared revenues to local governmental units, aids to individuals and organizations, and many State program expenses. See APPENDIX A.

The State has chosen a name for the Bonds (including the 2012 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. 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).

2011-13 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 (2011-13) included the Annual Appropriation Amounts of $275 million for the first fiscal year and $534 million for the second fiscal year. The Annual Appropriation Amount for the second fiscal year (fiscal year 2012-13) includes the principal of, and interest on, the Refunded Bonds since the refunding had not occurred prior to determination of the Annual Appropriation Amount. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Indenture Provisions Regarding Annual Appropriations" for information regarding the determination of those appropriation amounts. Because the Annual Appropriation Amount is determined prior to the start of a biennium, no changes will result in the previously determined Annual Appropriation Amounts in connection with the issuance of the 2012 Bonds and the refunding of the Refunded Bonds. However, the amounts appropriated for the current biennium, and proceeds of the 2012 Bonds, will be sufficient to fund all payments of principal of and interest due on the Bonds (including the 2012 Bonds) and any net payments on the outstanding Existing Swap Agreements through June 30, 2013.

In addition, the Annual Appropriation Amount for the second fiscal year of the 2011-2013 biennium is based on the greater of the amount determined for the 2012-13 fiscal year and the amount determined for the first year of the next biennium (fiscal year 2013-14). If the Legislature did not adopt a new budget before the start of the 2013-15 biennium, the continuing authority of appropriations from the 2012-13 fiscal year would be sufficient to make all payments of principal and interest due on the Bonds (including the 2012 Bonds) and net payments on the outstanding Existing Swap Agreements through June 30, 2014. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Annual Appropriations and Continuing Authority."

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. See APPENDIX A, which incorporates by reference Parts II and VIII of the 2011 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 State's fiscal year begins July 1, and an annual appropriation is effective on the later of that date or (in the case of the first year of a biennium) the effective date of the new biennial budget.

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. The Wisconsin Statutes provide that if an existing appropriation for the second year of a biennium is not amended or repealed, it continues in effect for all subsequent fiscal years. In the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new budget is enacted. See "PAYMENT FROM ANNUAL APPROPRIATIONS; 2011-13 Biennium." In other words, unless legislative action is taken to amend or repeal an appropriation, the prior-year appropriation will provide continuing authority for expenditures in the current fiscal year. Once a newly adopted budget becomes effective, the continuing authority is terminated.

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 2011-13 biennial budget was enacted on June 26, 2011, which was prior to the start of the biennium. For the prior ten biennia, only the 2009-11 biennial budget was also enacted prior to the start of the biennium. The prior nine biennial budgets prior to the 2009-11 biennium were enacted after the start of the applicable biennium, with the latest date after the start of a biennium being October 26, 2007 (for the 2007-09 biennium), which was nearly four months after the start of the 2007-08 fiscal year (which was the first fiscal year of that biennium).

Priority of Payments

The State's budget could move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. If needed, the Secretary of Administration has statutory power to order reductions in the appropriations of state agencies (which represent less than one-quarter of the General Fund budget). The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations; if this were to occur, the Secretary of Administration has covenanted in the Indenture to give debt service payments on the Bonds the highest possible priority permitted by law.

Enabling Act Provisions

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.

The Enabling Act also 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. As a practical matter, it was expected that amounts that otherwise would have been expended for the annual payments of the unfunded liabilities (based on amounts scheduled for payments from the General Fund and other funds for that purpose at the time of adoption of the Enabling Act) would be sufficient to offset the expenditures from the General Fund necessary to pay the Bonds. The debt service payments are intended to replace payments the State would otherwise have made to amortize the prior service and sick leave conversion credit liabilities.

The Wisconsin Statutes include an appropriation of moneys received from any sale of refunding appropriation bonds for payment of the redemption price of refunded bonds and related obligations incurred under ancillary agreements (such as Swap Agreements). The Wisconsin Statutes also include, in the schedule of annual appropriations, an appropriation from the General Fund to make debt service costs 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. See "PAYMENT FROM ANNUAL APPROPRIATIONS; 2011-13 Biennium."

Indenture Provisions Regarding Annual Appropriations

The Indenture contains several provisions regarding the budget process and the resulting appropriations. 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 determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater):

- *Bonds - Principal Maturities.* 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 any scheduled amount to be redeemed pursuant to optional redemption.
- *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% per annum 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.
- *Swap 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.

The following table summarizes the determination of the Annual Appropriation Amount for the current biennium, pursuant to the factors outlined above. See "PAYMENT FROM ANNUAL APPROPRIATIONS; 2011-13 Biennium."

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 payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination of the Annual Appropriation Amount for that fiscal year (**Subordinated Swap Payment Obligations**). Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice thereof to the Trustee.

DETERMINATION OF ANNUAL APPROPRIATION AMOUNT

Determination For 2011-13 Biennium	Fiscal Year 2011-12	Fiscal Year 2012-13 (Equal to Greater Total of the Following) Fiscal Year 2012-13[(a)]	Fiscal Year 2013-14[(a)(b)]
Bonds – Principal	$ 26,935,000	$286,505,000	$ 72,750,000
Bonds – Redemption	0	0	0
Bonds – Fixed Rate Interest	68,659,548	67,814,081	54,553,865
Bonds – Variable Rate Interest (Maximum Rate)	178,150,000	178,150,000	178,150,000
Swap Agreements (Maximum Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	1,004,000	1,004,000	1,004,000
Termination Payments	0	0	0
Totals[(c)]	$274,749,000	$533,473,500	$306,458,000

(a) The Annual Appropriation Amount for the 2012-13 fiscal year includes principal of, and interest on, $250 million par amount of Refunded Bonds, which mature May 1, 2013. Although the State intended at that time to issue Bonds for the purpose of refunding the Refunded Bonds, until such time the Refunded Bonds are no longer Outstanding, the State is required to include the principal and interest amounts for purposes of determining the Annual Appropriation Amount. For the 2013-14 fiscal year, the Annual Appropriation Amount does not include any principal or interest payments resulting from the issuance of refunding bonds, such as the 2012 Bonds.

(b) First fiscal year of the next biennium.

(c) Subject to rounding.

The Indenture provides that, in the event an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature fails to include the Annual Appropriation Amount, 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 and other parties designated in the Indenture, stating the nature of the deficiency. Similarly, in the event a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, 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.

Deposit Amount

The Indenture 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 the Bonds (including any scheduled amount to be redeemed by optional redemption), interest on the respective Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses.

Due to requirements for determining each Annual Appropriation Amount, the respective Deposit Amount is expected to be less than the related Annual Appropriation Amount. The Deposit Amount for the 2012-13 fiscal year for the Bonds was calculated to be $136 million and was made on July 1, 2012.

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. See "Appropriated Funds and Funds and Accounts" in APPENDIX B for a more detailed description of these funds.

The Stabilization Fund is currently funded in the amount of $32,935,000 but may, after the 2003 Bonds are no longer Outstanding, be reduced to any amount determined by an authorized Department representative to be reasonable, so long as the Department provides confirmation from at least two rating agencies then maintaining a rating of the Bonds that such reduction will not result in a withdrawal or downgrade of the ratings of the Bonds. The State is permitted, but not required, to put additional amounts in the Stabilization Fund from time to time.

Proceeds from the sale of the 2012 Bonds will be deposited in the Escrow Fund and the Operating Expense Fund. On the date of delivery of the 2012 Bonds, additional appropriated funds will be deposited with the Trustee for deposit into the Debt Service Account for the 2012 Bonds sufficient to pay on May 1, 2013 the interest due on the 2012 Bonds.

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of and interest on the Bonds, including the 2012 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, and its obligation to make payments on the Swap Agreements, is subject to annual appropriation of the necessary funds by the Legislature. The amounts that are payable in any year from the annual appropriation are subject to change, for example, because of the termination of existing Swap Agreements, the State's entering into additional Swap Agreements, the State's issuance of refunding bonds or Additional Bonds, or the State's issuance of other appropriation obligations. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments in the future.

The owners of Bonds (including the 2012 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. See "PAYMENT FROM ANNUAL 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, including the 2012 Bonds. If the State were to fail to appropriate sufficient funds for that payment, the owners of the Bonds, including the 2012 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 as not legally required.

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, any of 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 those payments. For example, the State issued the Bonds initially in 2003 with the expectation that it would thereby save money, as compared to the payments 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, on or prior to their maturity dates, the principal amount of certain maturities of the Bonds so that the principal will be repaid in smaller annual amounts over the following years. If any of those maturities were not so refunded, a substantially larger appropriation, and potentially larger payment, would be required for the year those maturities come due. In addition, the Legislature may authorize the State to issue other obligations that are payable from the same annual appropriations, and it may also consider and adopt legislation that changes the amounts of existing appropriations.

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 "Definition of Certain Terms" in APPENDIX B for a description of Qualified Investments.

Defeasance

A defeasance of the 2012 Bonds may cause the recognition of a gain or loss, for federal tax purposes, at the time of the defeasance. Owners of the 2012 Bonds should consult their tax advisors regarding the tax consequences of any defeasance of the 2012 Bonds.

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 a letter 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.

OTHER INFORMATION

Recent and Planned Borrowings

General Obligations

The State issued $293 million of general obligation bonds for general governmental purposes on November 1, 2012. These bonds were the seventh series of general obligations to be issued in calendar year 2012. The State previously issued:

- $231 million in two series of general obligation extendible municipal commercial paper for general governmental purposes.
- $364 million in two series of general obligation refunding bonds for the refunding of previously issued and outstanding general obligations.

- $12 million of general obligation subsidy bonds in one series purchased by the Environmental Improvement Fund for the Clean Water Fund Program.
- $199 million in one series of general obligation bonds for general governmental purposes.

In addition, the State of Wisconsin Building Commission (**Commission**) has authorized the issuance of the following general obligations:

- Up to $173 million of general obligations for general governmental purposes. The State expects to issue these general obligations in the form of fixed-rate bonds or variable-rate extendible municipal commercial paper notes in the first quarter of calendar year 2013.
- Up to $38 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of any issuance of general obligation subsidy bonds for this purpose depend on various factors, including the amount and timing of loan disbursements from the Clean Water Fund Program.
- Up to $102 million of general obligations for the veterans housing loan program, which may be in the form of bonds, commercial paper notes, or extendible municipal commercial paper. The amount and timing of any issuance of general obligations for this purpose depend on originations of veterans housing loans and market conditions.
- Up to $79 million of general obligation refunding bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any issuance of general obligation refunding bonds for this purpose depend on market conditions and other factors relating to the veterans housing loan program.
- General obligations for the funding of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper, which were outstanding in the amount of $810 million as of October 1, 2012. The amount and timing of any issuance of general obligations for this purpose depend on a decision to fund outstanding obligations bearing variable interest rates either with a different form of variable-rate obligation or with bonds bearing a fixed interest rate.

Other Obligations

In this calendar year, the State has issued $460 million of transportation revenue bonds to finance certain State transportation facilities and highway projects and to refund certain outstanding transportation revenue bonds. In addition, the Commission has authorized up to $25 million of additional transportation revenue bonds and up to $134 million of additional transportation revenue refunding bonds. The amount and timing of any additional issuance of transportation revenue bonds depend on disbursements for highway projects and transportation facilities, and the amount and timing of any additional issuance of transportation revenue refunding bonds depend on market conditions.

In this calendar year, the State has also issued $55 million of clean water revenue bonds to fund loans in the Clean Water Fund Program and $92 million of clean water revenue refunding bonds to refund previously issued clean water revenue bonds. In addition, the Commission has authorized up to $95 million of additional clean water revenue bonds and up to $58 million of additional clean water revenue refunding bonds. The amount and timing of any additional issuance of clean water revenue bonds depend on loan activity in the State's Clean Water Fund Program and any additional issuance of clean water revenue refunding bonds depends on market conditions.

The State of Wisconsin Department of Administration issued approximately $27 million of master lease certificates of participation for its master lease program on February 29, 2012.

At this time, the State does not anticipate issuing operating notes for the 2012-2013 fiscal year.

Underwriting

The 2012 Bonds are being purchased by the **Underwriters**, for which Jefferies & Company, Inc. is serving as representative. The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2012 Bonds at an aggregate purchase price of $250,269,577.17 (reflecting an underwriter's discount of $1,285,422.83). The Underwriters have agreed to reoffer the 2012 Bonds at the public offering prices set forth on the front cover of this Official Statement. The 2012 Bonds may be offered and sold to certain dealers (including dealers depositing the 2012 Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions, and they will be obligated to purchase all the 2012 Bonds if they purchase any of the 2012 Bonds.

The Escrow Fund created with proceeds of the 2012 Bonds, and other available moneys, will defease the Refunded Bonds. The State has been informed by the Underwriters that one or more of the Underwriters, or affiliates thereof, hold certain of the Refunded Bonds being defeased and, as a result, will receive a portion of the Escrow Fund upon the maturity of the Refunded Bonds.

In connection with the offering of the 2012 Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the 2012 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain legal matters will be passed upon for the Underwriters by their counsel, Whyte Hirschboeck Dudek S.C.

Global Plan of Distribution

The 2012 Bonds are offered by the Underwriters for sale in various jurisdictions in the United States, Europe, Asia, and elsewhere where it is lawful to make such offers. Each Underwriter has undertaken that it will not offer, sell, or deliver, directly or indirectly, any of the 2012 Bonds or distribute this Official Statement or any other material relating to the 2012 Bonds, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and not impose any obligations on the State except as contained in the purchase contract between the State and the Underwriters. Persons who receive this Official Statement are required to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell, or deliver the 2012 Bonds or have in their possession, distribute, or publish any offering material relating to the 2012 Bonds, in all cases at their own expense.

Reference Information About the 2012 Bonds

The table on the front cover provides information about the 2012 Bonds. The CUSIP number for each maturity has been obtained from a source that the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the reoffering prices.

Financial Advisor

Acacia Financial Group, Inc. has been employed by the State to perform professional services in the capacity of financial advisor. The financial advisor has provided advice on the plan of finance and the structure of the 2012 Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 2012 Bonds by the Underwriters.

Verification of Mathematical Computations

The arithmetical accuracy of certain computations was independently verified by the Verification Agent. These computations, which were provided by the Underwriters, indicate the sufficiency of the receipts from the Government Obligations to pay at maturity the principal of, and interest on, the Refunded Bonds. The Verification Agent relied upon assumptions and information supplied by the Underwriters on behalf of the State and has not made any study or examination of them, except as noted in its report. The

Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

Legal Opinion

Legal matters incident to the authorization, issuance, and sale of the 2012 Bonds are subject to the approval of Quarles & Brady LLP **(Bond Counsel)**, whose approving opinion, substantially in the form shown in APPENDIX C, will be delivered on the date of issue of the 2012 Bonds. In the event certificated 2012 Bonds are issued, the opinion will be printed on the reverse side of each 2012 Bond.

Litigation

There is no action, suit, or proceeding, either pending or threatened in writing, known to the State Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the 2012 Bonds or in any way contesting or affecting (i) the titles to their respective offices of any of the State officers involved in the issuance of the 2012 Bonds, (ii) the validity of the 2012 Bonds or any proceedings of the State taken with respect to the issuance, sale, execution, or delivery of the 2012 Bonds, or (iii) the pledge or application of any moneys or security provided for payment of the 2012 Bonds. The State Attorney General will render an opinion to this effect when the 2012 Bonds are delivered.

DISCLAIMER REGARDING FEDERAL TAX DISCUSSIONS

Any discussion of U.S. federal tax issues included in this Official Statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding federal tax penalties that may be imposed on the taxpayer. Such discussions were written in connection with the promotion or marketing of the 2012 Bonds. Each taxpayer should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

TAXABILITY OF INTEREST

Federal Tax Considerations

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of 2012 Bonds by certain persons. This summary does not consider all the possible federal income tax consequences of the purchase, ownership, or disposition of the 2012 Bonds and is not intended to reflect the individual tax position of any beneficial owner.

In the opinion of Bond Counsel, under existing law interest on the 2012 Bonds is included in gross income for federal income tax purposes.

In order to comply with Treasury Circular 230, the opinion of Bond Counsel will state that unless specifically stated to the contrary in writing, any advice contained in the opinion of Bond Counsel concerning tax issues or submissions is not intended to be used, and cannot be used, by the taxpayer for the purpose of avoiding any tax penalties that may be imposed upon the taxpayer by any governmental taxing authority or agency.

State Tax Considerations

The interest on the 2012 Bonds is not exempt from present Wisconsin income or franchise taxes.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the 2012 Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Report**). By December 27 of each year, the State will send the report to the Municipal Securities Rulemaking Board (**MSRB**). The State will also provide to the MSRB notices of the occurrence of certain events specified in the undertaking. Part I of the 2011 Annual Report, which contains information on the undertaking, is included by reference as part of this Official Statement. Copies of the Annual Reports and notices may be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
Attn: Capital Finance Director
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the MSRB. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

Dated: November 5, 2012

STATE OF WISCONSIN

/S/ SCOTT WALKER
Scott Walker
Governor

/S/ MIKE HUEBSCH
Mike Huebsch
Secretary of Administration

APPENDIX A
INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin **(State)** and its general fund annual appropriation bonds, contained in Part II and Part VIII, respectively, of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011 **(2011 Annual Report)**, which can be obtained as described below. This Appendix also updates, or makes changes or additions to, the information presented in Part II of the 2011 Annual Report, including, but not limited to:

- Annual Fiscal Report (budgetary basis), dated October 15, 2012, for the 2011-12 fiscal year, including summary of actual General Fund tax collections for the 2011-12 fiscal year.
- Updated projections of General Fund tax collections for the 2011-13 biennium, as provided by the State's Department of Revenue **(DOR)** to the State's Department of Administration and referenced in a memorandum provided by the Department of Administration (**DOA**) on May 10, 2012 (**May 10, 2012 DOA Memorandum**).
- General Fund information for the 2011-12 fiscal year through June 30, 2012, which is presented on either a cash basis or an agency-recorded basis, and General Fund information for the 2012-13 fiscal year through September 30, 2012, which is presented on a cash basis.

Part II of the 2011 Annual Report contains general information about the State. More specifically, that part presents information about the following matters:

- State's revenue and expenditures
- State's operations, financial procedures, accounting, and financial reporting
- Organization of, and services provided by, the State
- Budget process and fiscal controls
- State budget (including results of fiscal year 2010-11 and State budget for 2011-13 Biennium)
- Potential effects of litigation
- State obligations
- Employee pension funds and other post-employment benefits
- State Investment Board
- Statistical information about the State's population, income, and employment

Part VIII of the 2011 Annual Report contains information concerning various general fund annual appropriation obligations issued by the State pursuant to two different trust indentures, and discusses the security provisions for such general fund annual appropriation obligations.

Included as APPENDIX A to Part II of the 2011 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2011, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the independent auditor's report provided by the State Auditor.

The 2011 Annual Report was filed with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system, and also is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin." The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

Copies of the 2011 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
Attn: Capital Finance Director
P.O. Box 7864
101 E. Wilson Street, FLR 10
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov

The State has independently provided, since July 2001, monthly reports on general fund financial information. These monthly reports are not required by any of the State's undertakings provided to permit compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. These monthly reports are available on the State's Capital Finance Office web site that is listed above and were filed as informational notices with each nationally recognized municipal securities information repository (prior to July, 2009) or as additional voluntary information with the MSRB through its EMMA system; however, such reports are not incorporated by reference into this Official Statement or Part II of the 2011 Annual Report, and the State is not obligated to continue providing such monthly reports in the future.

After publication and filing of the 2011 Annual Report, certain changes or events have occurred that affect items discussed in the 2011 Annual Report. Listed below, by reference to particular sections of Part II of the 2011 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the MSRB. However, the State has filed, and expects to continue to file, informational notices with the MSRB, some of which may be notices that are not required to be filed under the State's undertakings.

This Official Statement includes changes or additions that were released after the date of the Preliminary Official Statement (October 22, 2012). These changes or additions to this Appendix are identified accordingly.

Budgeting Process and Fiscal Controls; Budget Stabilization Fund (Part II; Page 29). Update with the following information.

The General Fund tax revenues for the 2011-12 fiscal year exceeded tax collections estimated at the time of publication of the 2011-13 biennial budget. As a result, Wisconsin Statutes require a transfer of $109 million from the General Fund to the Budget Stabilization Fund. This transfer has been made, and is reflected in the ending statutory and undesignated balance for the 2011-12 fiscal year.

State Budget; Budget for the 2011-13 Biennium (Part II; Pages 31-33). Update with the following information.

November 20, 2012 Update

Wisconsin Statutes require that DOA provide, by November 20, 2012, a compilation of the total amount of each agency's biennial budget request for the 2013-15 biennium. This report typically includes an updated General Fund condition statement for the current 2012-13 fiscal year. When available, information concerning the updated General Fund condition statement will be available from the MSRB through its EMMA system and from the State as provided on pages A-1 and A-2.

Results of 2011-12 Fiscal Year

The 2011-12 fiscal year ended June 30, 2012 and the Annual Fiscal Report (budgetary basis) for the 2011-12 fiscal year was published on October 15, 2012. It reports the State ended the 2011-12 fiscal year on a statutory and unaudited basis with an undesignated balance of $342 million. This amount is $334 million more than the projected ending balance for that fiscal year in the 2011-13 biennial budget bill (2011 Wisconsin Act 32) and $112 million more than the projected ending balance for that fiscal year as included in the May 10, 2012 DOA Memorandum. The State issued $800 million of operating notes during the 2011-12 fiscal year. The Annual Fiscal Report (budgetary basis) is available from the MSRB through its EMMA system and from the State as provided on pages A-1 and A-2.

The following table includes the final General Fund condition statement for the 2011-12 fiscal year and projected General Fund condition statement for the 2012-13 fiscal year (as included in the May 10, 2012 DOA Memorandum). The following table also includes, for comparison, the estimated General Fund condition statements from the Legislative Fiscal Bureau (**LFB**) in its memorandum dated February 9, 2012 (**February 9, 2012 LFB Memorandum**) and the 2011-13 biennial budget (2011 Wisconsin Act 32).

PROJECTED GENERAL FUND CONDITION STATEMENTS
2011-12 AND 2012-13 FISCAL YEARS
(in Millions)

	2011-12 Fiscal Year			2012-13 Fiscal Year		
	Annual Fiscal Report Oct. 2012	LFB Memorandum Feb 2012	2011 Wisconsin Act 32	DOA Memorandum May 2012	LFB Memorandum Feb 2012	2011 Wisconsin Act 32
Revenues						
Opening Balance	$ 85.6	$ 85.6	$ 85.6	$ 9.7[(a)]	$ 11.8	$ 72.8
Prior-Year Designation	8.2	n/a	n/a	n/a	n/a	n/a
Taxes	13,514.6	13,194.6	13,297.2	13,675.2	13,603.5	13,778.2
Department Revenues						
Tribal Gaming	24.3	27.2	26.5	28.6	28.6	28.1
Other	532.8	648.1	647.9	577.0	577.0	584.6
Total Available	$14,165.5	$13,955.4	$14,057.2	$14,510.6	$14,220.9	14,463.6
Appropriations						
Gross Appropriations	$13,867.5	$13,996.2	$13,996.2	$14,765.5	$14,765.5	14,765.5
Sum Sufficient Reestimates	n/a	(36.5)		(16.4)	(8.0)	
Transfers/Other Funds	370.4	261.2	262.5	137.6	137.6	137.6
Compensation Reserves	19.7	28.7	28.8	61.9	61.9	81.9
Less: Lapses	(434.2)	(306.1)	(303.0)	(593.0)	(593.0)	(594.2)
Net Appropriations	$13,823.4	$13,943.6	$13,984.5	$14,356.1	$14,364.1	14,390.9
Balances						
Gross Balance	$ 342.1	$ 11.8	$ 72.8	$ 154.5	$ (143.2)	72.7
Transfer/Budget Stab. Fund	n/a	n/a	n/a	n/a	n/a	n/a
Less: Req. Statutory Bal.	n/a	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ 342.1	$ (53.2)	$ 7.8	$ 89.5	$ (208.2)	$ 7.7

(a) Does not reflect the ending undesignated balance for the 2011-12 fiscal year, as included in the Annual Fiscal Report 2012 (budgetary basis).

May 10, 2012 DOA Memorandum

In addition to updated General Fund tax collections, the May 10, 2012 DOA Memorandum included a determination by the Secretary of Administration that the potential shortfall previously discussed in the February 9, 2012 LFB Memorandum is no longer projected to occur. With the updated projections of General Fund Tax collections, and reduction of debt service costs resulting from completion of structural refundings authorized by the 2011-13 biennial budget (2011 Wisconsin Act 32) and other refunding transactions, the May 10, 2012 DOA Memorandum included a projected positive ending gross balance for the 2011-12 fiscal year of $230 million and a positive ending net balance (including the statutory required reserve) for the 2012-13 fiscal year of $89 million.

A complete copy of the May 10, 2012 DOA Memorandum is available from the MSRB through its EMMA system and from the State as provided on pages A-1 and A-2.

February 9, 2012 LFB Memorandum

Though not statutorily required, LFB has typically provided in January of even-numbered years (such as the year 2012) an examination of economic forecasts and tax collection and expenditure data for the first six months of the fiscal year. This typically has also included projections (of tax collections and the General Fund condition statement) for each fiscal year of that biennium. The February 9, 2012 LFB Memorandum included estimated General Fund condition statements for the 2011-12 and 2012-13 fiscal years. Based on those projections, expenditures for the 2012-13 fiscal year were expected to exceed revenues in that fiscal year by more than one-half of one percent. However, as previously summarized in

"State Budget; Budget for the 2011-13 Biennium; *May 10, 2012 DOA Memorandum*", the Secretary of Administration subsequently made a determination that budgeted expenditures will not exceed revenues. If the Secretary of Administration were to determine that budgeted expenditures would exceed revenues by more than one-half of one percent of general purpose revenues, then the Secretary of Administration would be required to notify the Governor and the Legislature.

A complete copy of the February 9, 2012 LFB Memorandum is included on pages A-9 through A-21 of this Official Statement.

State Budget; Revenue Projections for 2011-13 Biennium (Part II; Page 33). Update with the following information.

November 20, 2012 General Fund Tax Revenue Projections

Wisconsin Statutes require that DOR provide, by November 20, 2012, updated projections of General Fund tax revenues for both the current 2012-13 fiscal year and projections of General Fund tax revenues for the upcoming 2013-15 biennium. When available, these projections will be available from the MSRB through its EMMA system and from the State as provided on pages A-1 and A-2.

Results of 2011-12 Fiscal Year

The State's Annual Fiscal Report included the ending general fund balance for the 2011-12 fiscal year (unaudited, budgetary basis) and was released on October 15, 2012. The Annual Fiscal Report also included final General Fund tax collections for the 2011-12 fiscal year. These General Fund tax revenue collections, on a budgetary basis, were $13.515 billion compared to $12.912 billion for the 2010-11 fiscal year. This is an increase of approximately $603 million, or 4.7%, more than collections in the 2010-11 fiscal year, and approximately $127 million more than the projections for the 2011-12 fiscal year previously made in the May 10, 2011 DOA Memorandum.

The following table includes a summary of the final General Fund tax revenue collections for the 2011-12 fiscal year and also provides, for comparison, the final General Fund tax revenue collections for the 2010-11 fiscal year, estimates provided in the February 9, 2012 LFB Memorandum, and estimates included in the 2011-13 biennial budget (2011 Wisconsin Act 32). For the 2012-13 fiscal year, the table includes the General Fund tax revenue estimates included in the May 10, 2012 DOA Memorandum and also provides, for comparison, estimates from the February 9, 2012 LFB Memorandum, and estimates included in the 2011-13 biennial budget (2011 Wisconsin Act 32). The difference between the final General Fund tax revenue collections for the 2011-12 fiscal year and estimates included in the May 10, 2012 DOA Memorandum for the 2012-13 fiscal year is $161 million, or 1.2%.

GENERAL FUND TAX REVENUE ESTIMATES
2011-12 AND 2012-13 FISCAL YEARS
(in Millions)

		2011-12 Fiscal Year			2012-13 Fiscal Year		
	2010-11 Fiscal Year Final	Annual Fiscal Report Oct. 2012	LFB Projection Feb. 2012	2011-13 Biennial Budget	DOR Projection May 2012	LFB Projection Feb. 2012	2011-13 Biennial Budget
Individual Income	$ 6,700.7	$ 7,041.7	$ 6,825.0	$ 6,868.2	$ 7,153.9	$ 7,120.0	$ 7,222.0
Sales and Use	4,109.0	4,288.7	4,250.0	4,269.8	4,420.1	4,365.0	4,387.1
Corp. Income & Franchise	852.9	906.6	860.0	880.8	852.3	855.0	877.1
Public Utility	341.3	365.9	361.0	344.6	357.7	363.0	352.6
Excise							
Cigarettes	604.8	587.8	590.0	615.0	578.6	580.0	610.0
Liquor & Wine	45.8	47.0	47.4	47.1	47.3	48.4	48.2
Tobacco Products	60.9	65.5	64.1	63.6	64.1	66.2	65.7
Beer	9.3	9.2	9.1	9.5	9.4	9.0	9.5
Insurance Company	140.0	148.1	140.0	147.0	143.1	145.0	150.0
Miscellaneous Taxes	47.3	54.1	48.0	51.6	48.7	51.9	57.0
TOTAL	$12,911.9	$13,514.6	$13,194.6	$13,297.2	$13,675.2	$13,603.5	$13,779.2

Preliminary 2011-12 Fiscal Year General Fund Tax Collections

On September 5, 2012, DOR released preliminary general purpose revenue tax collections for the 2011-12 fiscal year, which on a budgetary basis were about $13.515 billion, or $630 million more than collections in the 2010-11 fiscal year (or up 4.7%) and approximately $127 million more than the projected tax revenue estimates from DOR that were included in the May 10, 2012 DOA Memorandum.

May 10, 2012 DOA Memorandum

The May 10, 2012 DOA Memorandum included DOR's projections of General Fund tax collections for the 2011-12 and 2012-13 fiscal years, which reflect actual General Fund tax collections through April 2012, federal Bureau of Economic Analysis data revisions, and updated economic forecast as presented by IHS Global Insight. For the 2011-12 fiscal year, the estimated General Fund tax collections are $13.388 billion, or an increase of $194 million from the projections included in the February 9, 2012 LFB Memorandum, and an increase of $476 million (or 3.7%) from collections in the 2010-11 fiscal year. For the 2012-13 fiscal year, the estimates are $13.675 billion, or an increase of $72 million from projections included in the February 9, 2012 LFB Memorandum.

A complete copy of the May 10, 2012 DOA Memorandum is available from the MSRB through its EMMA system and from the State as provided on pages A-1 and A-2.

February 9, 2012 LFB Memorandum

The February 9, 2012 LFB Memorandum included updated General Fund tax revenue estimates for the 2011-13 biennium. For the 2011-12 fiscal year, these estimates were $13.195 billion, or an increase of $283 million (or 2.2%) from collections in the 2010-11 fiscal year but a decrease of $100 million from the projections included in the 2011-13 biennial budget (2011 Wisconsin Act 32). For the 2012-13 fiscal year, these estimates were $13.604 billion, or a decrease of $173 million from the projections included in the 2011-13 biennial budget (2011 Wisconsin Act 32).

A complete copy of the February 9, 2012 LFB Memorandum is included on pages A-9 through A-21 of this Official Statement.

State Budget; Potential Effect of Litigation; 2011 Wisconsin Act 10 (Part II; Page 35). Update with the following information; some of this information became available after the date of the Preliminary Official Statement (dated October 22, 2012).

2011 Wisconsin Act 10 included provisions that, among others, increased contributions of State employees to their employee health and retirement plans and modified the collective bargaining rights of certain public employees in the State. There was a delay in the effective date of 2011 Wisconsin Act 10 as the Dane County Circuit Court granted relief in a case that was filed by the Dane County District Attorney based on allegations that the State's open meeting laws were violated by a legislative committee that referred the related bill to both houses of the Legislature. However, on June 14, 2011, the Wisconsin Supreme Court vacated and declared void all orders and judgments of the Dane County Circuit Court with respect to the case.

On December 30, 2011, the Dane County District Attorney filed a motion asking the Wisconsin Supreme Court to vacate its June 14, 2011 order in this matter, to reinstate the circuit court's prior orders, and to award various other relief, including recusal or disqualification of one of the Wisconsin Supreme Court justices. The motions for recusal and rehearing have been denied. The 2011-13 biennial budget does not currently assume any settlement of this matter or other means to address the impact of any negative decision.

With respect to the lawsuit filed on June 15, 2011 in the United States District Court for the Western District of Wisconsin, the district court ruled on March 30, 2012 that certain sections of 2011 Wisconsin Act 10 were unconstitutional; those being the sections prohibiting payroll union dues deductions (where public safety employee unions are not prohibited from doing so) and concerning annual elections for certified collective bargaining representation. The district court upheld the remaining provisions of 2011 Wisconsin Act 10, and stayed the order on dues deductions, in part. Both the plaintiff unions and the

State filed appeals to the United States Court of Appeals for the Seventh Circuit; the oral arguments were conducted September 24, 2012, and the parties are awaiting a decision.

With respect to another lawsuit challenging 2011 Wisconsin Act 10 that was filed on July 6, 2011 in the same United States District Court, the court informed the parties during a status conference that the defendants' motion for judgment on the pleadings would be granted and the suit would be dismissed, however, a decision is still pending.

With respect to the lawsuit filed August 18, 2011 in Dane County Circuit Court, on September 14, 2012 the circuit court declared unconstitutional amendments made by 2011 Wisconsin Act 10 to the Municipal Employment Relations Act as violative of the rights of free speech, association, and equal protection under the Wisconsin and United States Constitutions. The state statutes that prohibit payroll dues deductions, govern the annual election for certified collective bargaining representation for general municipal employees, and require a local government referendum on any increase in base wages above the consumer price index limit for municipal employees were declared unconstitutional. The circuit court also ruled that the statutes prohibiting the City of Milwaukee from paying the employee share of contributions to the City Employee Retirement System violated the state constitution's "home rule" and prohibition of impairment of contract provisions. The court rejected the plaintiffs' claims that 2011 Wisconsin Act 10 as a whole was unconstitutional because it was not properly enacted under the state constitution's special legislative session article. The circuit court did not enter an injunction against any defendants. The State filed a motion for a stay of the court's order and on October 22, 2012 the circuit court denied that motion. The State has filed an appeal of the circuit court's decision with the Wisconsin Court of Appeals, and on October 25, 2012 also filed a motion with the Wisconsin Court of Appeals to stay the circuit court's decision.

State Budget; Potential Effect of Litigation (Part II; Page 35). Update with the following new information:

Litigation Regarding Transfers of State Agency Appropriations

Nonstatutory provisions of 2009 Wisconsin Act 28 provided for the Secretary of the Department of Administration to transfer approximately $480 million from the balances of executive state agency appropriations. These transfers were completed in June 2011.

On May 11, 2012, the Cities of Milwaukee and Madison, along with three Milwaukee alderpersons, filed a suit against the Secretary of Natural Resources and the Secretary of Administration in Dane County Circuit Court challenging this transfer as unconstitutional. Although the complaint alleges that the entirety of the nonstatutory provision was illegal, it specifically seeks the return of $19 million to the appropriation for recycling grants to municipalities, formerly held under Section 25.49 of the Wisconsin Statutes (then-referred to as the Recycling and Renewable Energy Fund). The defendants have filed a motion to dismiss on grounds of sovereign immunity, mootness, lack of standing, and failure to state a claim. Briefings on this case are ongoing. The 2011-13 biennial budget does not currently assume any settlement of this matter or other means to address the impact of any adverse decision.

Litigation Regarding Family Care Rates Paid to Residential Service Providers

In August 2012, seventeen individuals with developmental disabilities filed a class action lawsuit against the Department of Health Services, the Secretary of the Department of Health Services, and three Managed Care Organizations (**MCOs**). The lawsuit alleges that reductions in the rates paid to providers of residential care services for persons with developmental disabilities through Wisconsin's Family Care program are discriminatory and violate their rights under the Americans with Disabilities Act and the Rehabilitation Act. Plaintiffs also assert claims against the defendants from the State for violations of their First Amendment right of association and their procedural due process rights. The plaintiffs seek declaratory and injunctive relief, in the form of returning provider rates to January 1, 2012 rates. An answer has been filed on behalf of the defendants from the State, motions to dismiss have been filed by two of the MCOs, and an answer has been filed on behalf of the third MCO. The plaintiffs seek certification of a class of individuals with developmental disabilities and a subclass of nonambulatory individuals with developmental disabilities. No class has been certified. Depending on the size of any class the court might certify and the specific injunctive relief ordered, adverse financial consequences to the state might exceed $10,000,000. The 2011-13 biennial budget does not currently assume any settlement of this matter or other means to address the impact of any negative decision.

State Budget; Impact of Federal Programs (Part II; Page 41). Update with the following information:

The United States Congress has mandated across-the-board cuts to the federal budget for the federal fiscal year that started October 1, 2012 and ends September 30, 2013. These cuts, which would be effective January 2, 2013, will be required pursuant to the Budget Control Act of 2011 since, at this time, the congressional Joint Select Committee on Deficit Reduction has failed to reduce the federal deficit by $1.2 trillion. Based on information from the federal Office of Management and Budget, the State is aware of federal programs that are subject to this sequestration process and estimated amount of cuts for the federal fiscal year 2012-2013; however, the amounts of such cuts will not be finalized until January 2013.

Most federal aids are not directly accounted for in the State's General Fund, and reductions in federal moneys may have a more immediate impact on individuals, local governments, and other service providers than on the State directly. At this time the impact on the State's General Fund of the mandated across-the-board cuts to the federal budget is not known. The across-the-board cuts to federal funds could result in budget savings to the State since required matching funds may not be required. Alternatively, the Wisconsin Legislature could decide to appropriate additional funds of the State to address the cuts being made to federal funds for the various impacted programs. In addition, the United States Congress could enact a bill that would otherwise address the requirements of the Budget Control Act of 2011, which could eliminate the mandated across-the-board cuts to the federal budget.

State Obligations; Employee Pension Funds (Part II; Pages 62-63). Update with the following information:

On September 20, 2012, the Employee Trust Funds Board approved employee and employer contribution rates for calendar year 2013, which are generally increases from rates in calendar year 2012. The rates shown below were determined by an independent actuarial firm. The following rates may not apply for certain employees that have remaining collective bargaining agreements, nor do the following rates reflect any other mandatory employer contributions (for example, special duty disability coverage).

WISCONSIN RETIREMENT SYSTEM
CONTRIBUTION RATES[a]

Employee Classification	Employee Required	Employer Required
General employees (including teachers)	6.65%	6.65%
Elected officials, judges, and state executives	7.00	7.00
Protective occupations with Social Security	6.65	9.75
Protective occupations without Social Security	6.65	12.35

(a) Approved by Employee Trust Funds Board for effective date of January 1, 2013.

Annual adjustments continue to be made to annuities from the Wisconsin Retirement System based on investment performance. It is currently projected that a reduction will be made in calendar year 2013 to annuity amounts from the Wisconsin Retirement System's Core Retirement Trust, which has experienced reductions of 2.1%, 1.3%, 1.2%, and 7.0%, respectively, in calendar years 2009, 2010, 2011, and 2012.

State Obligations; Prior Service Pension Liabilities and Other Post Employment Benefits; *Implied Subsidy of Group Health Insurance – January 1, 2009 Actuarial Valuation* (Part II; Page 64). Update with the following information:

In May 2012, the State received a report containing the results of an actuarial valuation (as of January 1, 2011) of the State of Wisconsin Retiree Health Program. The report shows a total unfunded liability for other post-employment benefits of $953 million, which results from an implicit rate subsidy (previously referred to as implied subsidy of group health insurance). The liability for this implicit rate subsidy is up from the $832 million amount reported in May 2010 (as of January 1, 2009). Beginning January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State group health insurance program is provided through a self-funded Medicare Part D Employer Group Waiver Plan, including a

Medicare wrap. As a result, the State no longer receives the Retiree Drug Subsidy and there is no longer a liability for any Medicare Part D subsidy.

Statistical Information; Table II-28 – State Assessment (Equalized Value) of Taxable Property (Part II; Page 75). Replace with the following updated table.

STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
2003	$360,710,211,300	—
2004	391,187,814,700	8.4%
2005	427,933,562,000	9.4
2006	468,983,199,800	9.6
2007	497,920,348,700	6.2
2008	514,393,963,700	3.3
2009	511,911,983,100	(0.5)
2010	495,904,192,300	(3.1)
2011	486,864,232,800	(1.8)
2012	471,092,529,200	(3.2)

Source: Department of Revenue

Statistical Information; Table II-39 – Unemployment Rate Comparison (Part II; Page 81). Replace with the following updated table.

UNEMPLOYMENT RATE COMPARISON[(a)]
By Month 2007 to 2012
By Quarter 2003 to 2006

	2012 Wis.	2012 U.S.	2011 Wis.	2011 U.S.	2010 Wis.	2010 U.S.	2009 Wis.	2009 U.S.	2008 Wis.	2008 U.S.	2007 Wis.	2007 U.S.
January	7.6	8.8	8.5	9.8	10.0	10.6	7.7	8.5	5.0	5.4	5.5	5.0
February	7.9	8.7	8.6	9.5	10.3	10.4	8.8	8.9	5.2	5.2	5.8	4.9
March	7.5	8.4	8.3	9.2	10.1	10.2	9.4	9.0	5.0	5.2	5.5	4.5
April	6.8	7.7	7.5	8.7	8.7	9.5	8.8	8.6	4.2	4.8	5.1	4.3
May	6.8	7.9	7.3	8.7	8.2	9.3	8.7	9.1	4.2	5.2	4.5	4.3
June	7.6	8.4	8.0	9.3	8.4	9.6	9.1	9.7	4.7	5.7	5.0	4.7
July	7.4	8.6	7.6	9.3	8.1	9.7	8.8	9.7	4.6	6.0	4.7	4.9
August	7.1	8.2	7.3	9.1	7.8	9.5	8.6	9.6	4.7	6.1	4.5	4.6
September			6.8	8.8	7.1	9.2	8.0	9.5	4.3	6.0	4.2	4.5
October			6.6	8.5	7.0	9.0	7.9	9.5	4.5	6.1	3.9	4.4
November			6.5	8.2	7.2	9.3	8.0	9.4	5.2	6.5	4.1	4.5
December			6.6	8.3	7.1	9.1	8.3	9.7	5.9	7.1	4.3	4.8
Annual Average			7.5	8.9	8.3	9.6	9.6	9.3	9.3	5.8	5.8	4.8

2006 Quarters	Wis.	U.S.	2005 Quarters	Wis.	U.S.
I	5.4	5.0	I	5.7	5.6
II	4.7	4.6	II	4.8	5.0
III	4.4	4.7	III	4.4	5.0
IV	4.2	4.2	IV	4.3	4.7

2004 Quarters	Wis.	U.S.	2003 Quarters	Wis.	U.S.
I	6.1	6.1	I	6.5	6.3
II	5.1	5.5	II	5.9	6.1
III	4.6	5.4	III	5.3	6.0
IV	4.3	5.1	IV	4.8	5.5

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

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

Legislative Fiscal Bureau Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703
Email: Fiscal.Bureau@legis.wisconsin.gov
Telephone: (608) 266-3847 • Fax: (608) 267-6873

State of Wisconsin

February 9, 2012

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

Dear Senator Darling and Representative Vos:

Early each year, this office conducts a review of the status of the state's general fund and presents its findings to the Legislature. In even-numbered years, the analysis includes an examination of economic forecasts and tax collection and expenditure data of the current fiscal year, and projections for each fiscal year of the current biennium. We have now completed that review.

Based on our analysis, we project the closing, gross general fund balance at the end of this biennium to be -$143.2 million. This is $215.9 million below the $72.7 million balance that was projected at the time of preparation of the last general fund condition statement on October 17, 2011. The $215.9 million is the net result of: (1) a revenue decrease of $4.5 million due to enactment of 2011 Act 49; (2) a $272.8 million decrease in estimated tax collections; (3) a $6.3 million decrease in departmental revenues; (4) a $44.5 million decrease in sum sufficient appropriation expenditures; (5) a reduction of $20.0 million in compensation reserves; (6) a reduction of $1.3 million in the transfer to the injured patients and families compensation fund; and (7) a $1.9 million increase in estimated lapses to the general fund.

As indicated, the gross balance is projected to be -$143.2 million. If the required statutory balance of $65 million is taken into account, the net balance at the end of the biennium (June 30, 2013) is projected to be -$208.2 million.

The following table reflects the estimated general fund condition statement, which incorporates our revenue and expenditure projections.

TABLE 1

2011-13 General Fund Condition Statement

	2011-12	2012-13
Revenues		
Opening Balance, July 1	$85,567,000	$11,755,600
Taxes	13,194,600,000	13,603,500,000
Departmental Revenues		
Tribal Gaming	27,154,400	28,645,200
Other	648,056,000	576,997,700
Total Available	$13,955,377,400	$14,220,898,500
Appropriations, Transfers, and Reserves		
Gross Appropriations	$13,996,186,500	$14,765,544,300
Sum Sufficient Reestimates	-36,508,800	-7,982,300
Transfers to:		
Transportation Fund	22,500,000	137,627,000
Injured Patients and Families Compensation Fund	233,747,100	0
Veterans Trust Fund	5,000,000	0
Compensation Reserves	28,790,000	61,910,000
Less Lapses	-306,093,000	-593,034,800
Net Appropriations	$13,943,621,800	$14,364,064,200
Balance		
Gross Balance	$11,755,600	-$143,165,700
Required Statutory Balance	-65,000,000	-65,000,000
Net Balance, June 30	-$53,244,400	-$208,165,700

Although the biennial change in estimated departmental revenues is relatively small (-$6.3 million), there are three items that should be noted. First, circuit court fees are projected to be $12.6 million below the $104.0 million estimated at the time of enactment of the budget. Second, estimated tobacco settlement revenues have been reduced by $19.0 million in 2011-12, primarily due to litigation that will likely not be resolved in this fiscal year. Finally, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and states' attorneys general have entered into a mortgage settlement agreement with Bank of America, Wells Fargo, JPMorgan Chase, Citigroup, and Residential Capital, LLC (formerly Ally Financial). Under the agreement, it is anticipated that Wisconsin will receive $31.6 million. Based on discussions between the Attorney General and the administration, of the amounts received by the state, $25.6 million will be deposited to the general fund as GPR-Earned in 2011-12, and the remaining $6 million will be retained by the Department of Justice to be allocated at a later date.

Net expenditures are projected to decrease by $67.7 million. A significant factor in the reduction is due to debt service costs. Estimated GPR debt service costs are reduced by $55 million in 2011-12 and $8 million in 2012-13 from the amounts projected in 2011 Act 32 because of two factors. First, the state has sold its general obligation bonds at a premium and applied most of these premium proceeds to current year debt service, in lieu of using the budgeted amounts to pay those costs. A bond that sells at a premium does so because the interest rate on the bond is higher than the market rate, making the bond worth more to the buyer. Most of these up-front premium payments were used to reduce GPR debt service, with the remainder being applied to the capital improvement fund to be used in lieu of future bonding. Second, GPR debt service is estimated to be lower because current projected interest costs on the funds borrowed under the state's commercial paper program are significantly less than the amounts budgeted in Act 32 for these short-term obligations.

In addition, the administration indicates that compensation reserve amounts in 2012-13 may be reduced by $20.0 million due to anticipated lower premium costs of the state's health insurance program.

The following additional points should be noted about the condition statement of Table 1. First, it incorporates the fiscal effects of all bills enacted to date (through 2011 Act 114). Second, it does not reflect the estimated shortfall in the private bar appropriation of the Office of the State Public Defender. It is projected that this appropriation will incur a deficit of $5.8 million by the end of the 2011-13 biennium. Third, Table 1 does not reflect any appropriation changes to the medical assistance (MA) program. On January 26, 2012, this office distributed a memorandum to the members of the Legislature entitled "Medical Assistance Program Status." That memorandum indicated that the MA program faced a potential shortfall of $140.9 million in the biennium. The memorandum further listed a series of savings initiatives identified by the Department of Health Services that are intended to address the shortfall.

Section 16.50(7) of the statutes establishes a process that must be followed if there is a revenue shortfall. Under this provision, if at any time after enactment of the biennial budget, the Secretary of the Department of Administration determines that previously authorized expenditures will exceed revenues in either year of the biennium by more than 0.5% of the estimated GPR appropriations for that fiscal year, the Secretary is required to immediately notify the Governor, the presiding officer of each house of the Legislature, and the Joint Committee on Finance of the revenue shortfall. Following such notification, the Governor is required to submit a bill to correct the imbalance between projected revenues and expenditures.

Under the projections of this report, expenditures in 2012-13 exceed revenues by $143.2 million, which is $71.4 million greater than the 0.5% threshold. The administration is currently discussing steps it might take to address the budget shortfall, including debt refinancing and restructuring.

General Fund Taxes

The following section presents information regarding general fund taxes for the 2011-13 biennium, including a discussion of the national economic forecast and general fund tax revenue estimates for fiscal years 2011-12 and 2012-13.

National Economic Review and Forecast. This office first prepared revenue estimates for the 2011-13 biennium in January, 2011, based on IHS Global Insight, Inc.'s January, 2011, forecast for the U.S. economy. That forecast predicted that temporary payroll tax reductions for employees and depreciation incentives for businesses scheduled to go into effect in January, 2011, would reinforce the economic growth that was occurring in late 2010. These developments, along with a gradually improving employment outlook and strength in the business investment and export sectors, were expected to generate real (inflation-adjusted) gross domestic product (GDP) growth of 3.2% in 2011, 2.9% in 2012, and 3.1% in 2013. The primary downside risks to that forecast included another possible downturn in the housing market and Europe's sovereign debt problems.

In May, 2011, this office raised its revenue estimates for 2010-11 and for the 2011-13 biennium. The upward revisions were based mainly on stronger than expected individual income tax collections through April, 2011, which more than offset comparatively weak revenues from the sales tax and the corporate income and franchise tax. The revisions also incorporated Global Insight's May, 2011, forecast for the U.S. economy. That updated forecast noted that economic growth in the first quarter of 2011 had come in below January's expectations, and that rising commodity prices were contributing to consumer price inflation. In most respects, however, Global Insight's May, 2011, forecast did not vary significantly from the January, 2011, forecast.

According to Global Insight's latest analysis (February, 2012), 2011 saw the U.S. economy continue its recovery from the deep recession of 2008-2009, albeit at a slower pace than projected in the May, 2011, forecast. Some of that weakness can be attributed to specific events. For instance, the earthquake that struck Japan in March disrupted supply chains in the U.S. automobile sector, with the effect of temporarily suppressing vehicle sales. In addition, unrest in the Middle East and North Africa caused a spike in world oil prices in the first half of the year that led to higher gasoline prices for U.S. consumers. These events contributed to the economy's relatively poor results in the first two quarters of 2011, when real GDP grew at annual rates of 0.4% and 1.3%, respectively, well below the 1.8% and 3.3% rates Global Insight had assumed in its May, 2011, forecast.

Several more persistent issues also limited growth in 2011. Among these was the sluggish U.S. housing sector. Housing starts are estimated to have increased by 3.7% in 2011, compared to the 7.6% growth rate Global Insight had expected in May. Despite these modest gains, the number of housing starts last year (607,000 units) was less than one-third the starts (2,073,000 units) that occurred in 2005. During that same period, the annual value of residential construction (adjusted for inflation) fell from $765.2 billion in 2005 to $316.5 billion in 2011. This massive decline in residential construction activity and the associated multiplier effects have negatively impacted GDP growth every year since 2005. Other indicators confirm the housing sector's continued weakness. New home sales fell an estimated 5.7% in 2011, while sales of existing homes rose 2.5%. The average price of an existing home is estimated to have fallen by 3.2%.

In Global Insight's view, the key to a sustained recovery in the housing sector is employment growth, in part because the rate of household formation (an important factor in housing demand) increases when new jobs are created. In that regard, the most recent figures from the U.S. Bureau of Labor Statistics indicate that total non-farm payrolls increased by approximately 1.8 million from December, 2010, to December, 2011. That growth occurred exclusively in the private sector, as private payroll gains of 2.1 million significantly outweighed the loss of 271,000 government jobs. The employment gains in 2011 exhibited steady progress (total non-farm payrolls grew each month of 2011), and the increases were in line with Global Insight's May, 2011, forecast. This growth notwithstanding, total non-farm payrolls in the final quarter of 2011 were still nearly 6.0 million below where they stood in early 2008.

Concern over government finances dominated much of the economic news in the second half of 2011. In early August, Standard & Poor's removed its AAA credit rating from long-term U.S. government debt. That downgrade appears to have had little immediate impact on U.S. government borrowing costs, however, as yields on ten-year and thirty-year U.S. Treasury obligations ended the year lower than they had been prior to S&P's action.

One likely explanation for that rally in U.S. Treasury securities, and the dollar's late-year appreciation against the Euro, was Europe's sovereign debt problems. Reminiscent of the financial crisis triggered by the 2008 collapse of Lehman Brothers, the "worst-case" fears in this case are not limited to the direct losses that might result from a default by one or more of the weaker Eurozone countries (a group often defined to include Portugal, Ireland, Italy, Greece, and Spain), but also include the broader "contagion" risks such defaults could pose to the entire international financial system. Through mechanisms such as the European Financial Stability Facility, the European Central Bank and the International Monetary Fund have sought to bolster the European banking and financial systems, in part by providing loans to several of the weaker Eurozone member states. Those efforts notwithstanding, the Eurozone appears to have fallen back into recession in the fourth quarter of 2011. Going forward, Global Insight cites unresolved issues in Europe as "by far the biggest uncertainty facing the global economy."

Despite the various concerns outlined above, U.S. economic activity improved in the second half of 2011. In large measure, those gains resulted from growth in personal consumption expenditures, as moderating prices enhanced consumers' real purchasing power. Driven by improved demand for durable goods, especially for new motor vehicles, real consumer spending increased at annual rates of 1.7% and 2.0% in the third and fourth quarters of 2011, respectively, markedly better than the second quarter's 0.7% increase. Other sectors contributing to the economy's growth in 2011 included exports, which in real terms grew 6.8%, bolstered by strong demand from emerging economies, and business investment in equipment and software, which registered real growth of 10.3%.

On balance, the most recent figures indicate that real GDP grew 1.7% in 2011, with much of that increase coming in the second half of the year. Nominal GDP (not adjusted for inflation) increased 3.9%. Those results were somewhat lower than Global Insight's May, 2011, forecast, which projected real GDP to increase 2.7% and nominal GDP to increase 4.5% in 2011.

In its February forecast, Global Insight expects the U.S. economy's moderate growth to continue, with real GDP increasing 2.1% in 2012 and 2.3% in 2013, and nominal GDP growing 3.4% and 3.7%. That forecast is based on the following key assumptions. First, fiscal policy will effectively tighten as real nondefense federal spending on goods and services falls 1.7% in 2012 and 2.6% in 2013, and real defense spending falls 2.0% in 2012 and 3.9% in 2013. Second, the temporary extension of payroll tax reductions and emergency unemployment insurance benefits that occurred in late 2011 will be extended through all of 2012, and then phased out over several years. Third, the automatic federal spending cuts scheduled to begin in 2013 under the Budget Control Act of 2011 will not occur. Instead, Congress and the President will agree to a package that combines spending cuts and tax increases that mostly go into effect in 2014. In the interim, the tax cuts enacted under President Bush in 2001 and 2003 will be extended through 2013. Fourth, oil prices will rise by 7.2% in 2012 and by 3.2% in 2013. Fifth, the U.S. Federal Reserve will keep its target range for the federal funds rate at 0.0% to 0.25% until at least late 2014. Sixth, the U.S. dollar will strengthen against the Euro, but continue its long-term decline against emerging market currencies. Finally, GDP growth in the United States' major-currency trading partners will slow to 1.0% in 2012, down from 1.7% in 2011, reflecting the Eurozone recession, while GDP growth for the United States' other important trading partners will be 4.1% in 2012, down from 5.2% in 2011.

GDP. Real GDP is now projected to grow 2.1% in 2012 and 2.3% in 2013. Those increases are somewhat lower than Global Insight had projected in its May, 2011, forecast, when real GDP was expected to increase 2.9% and 2.8% in 2012 and 2013, respectively. The expectations for nominal GDP have been similarly reduced since May, from 4.4% and 4.5% in 2012 and 2013, respectively, to 3.4% and 3.7%. The latest projections for GDP growth reflect Global Insight's generally more cautious outlook for the U.S. and world economies, compared to its May, 2011, forecast.

Consumer Prices. Higher commodity prices in the first half of the year caused the consumer price index (CPI) to increase 3.1% in 2011. Core inflation, which excludes food and energy costs, rose by a more moderate 1.7%. Those results were in line with the May, 2011, forecast. Led by falling gasoline prices, consumer inflation eased in the second half of 2011, and that general trend is expected to continue with the CPI increasing 2.0% in 2012 and 1.8% in 2013.

Monetary Policy. The U.S. Federal Reserve kept short-term interest rates at historically low levels throughout 2011, with its target range for the federal funds rate at 0.0% to 0.25%. That policy is not expected to change soon, as on January 25, 2012, the Federal Reserve stated that economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium run, are likely to warrant the continuation of these exceptionally low rates at least through late 2014. That statement contrasted with the Federal Reserve's earlier pronouncements, which indicated that it intended to keep the exceptionally low short-term interest rates currently in place through at least mid-2013. Global Insight's February, 2012, forecast does, however, continue to expect a new $600 billion round of quantitative easing in the second quarter of 2012, targeted mainly at mortgage-backed securities.

Personal Consumption. Nominal personal consumption expenditures increased by an estimated 4.7% in 2011, slightly less than the 5.1% increase projected in the May, 2011, forecast. The gains in 2011 were widely distributed across most expenditure categories. Spending for consumer durables, which are generally subject to state sales tax, increased 7.0%, led by a 14.7% increase on expenditures for new motor vehicles. Spending for services, which are typically not subject to sales tax, increased 3.2%. Under the latest forecast, personal consumption is expected to grow 3.6% in 2012 and 3.6% in 2013, with broad-based gains again led by durable goods, purchases of which are projected to increase by 4.3% and 4.1% in 2012 and 2013, respectively. For the most part, these latest projections are modestly lower than those in the May, 2011, forecast.

Employment. Building on a much better than expected gain of 243,000 jobs in January, 2012 (preliminary estimate), average monthly non-farm payrolls are expected to grow by 1.9 million to 133.3 million in 2012, and by 2.0 million to 135.3 million in 2013. While these projections have steadily increased in recent months (Global Insight's October, 2011, forecast, for instance, expected non-farm payrolls to average just 133.5 million in 2013), they are still somewhat below the May, 2011, projections, which anticipated payroll gains of 2.3 million and 2.5 million in 2012 and 2013.

As was true in 2011, all of the projected employment gains in the latest forecast should occur in the private sector, as government payrolls contract by an additional 212,000 in 2012 and 23,000 in 2013. The national unemployment rate, which is a function of both the number of jobs and the number of labor market participants, is expected to decline during this period, averaging 8.3% in 2012 and 8.1% in 2013. In December, 2011, the national unemployment rate was 8.5%.

Housing. In late 2011, the National Association of Realtors reduced its earlier estimates of existing home sales dating back to 2007. While the adjustments apply more to sales volumes than to year-over-year changes, the revised figures indicate that the initial stages of the housing market's decline in 2007 were more severe than previously thought. In 2012 and 2013, Global Insight expects existing home sales to increase by 8.3% and 8.1%, respectively, due to better affordability and improving economic conditions. The average price of an existing home is projected to decline 2.3% in 2012 before increasing 3.2% in 2013 in what is expected to be the start of a multi-year recovery in house prices.

Residential construction activity improved in the final quarter of 2011, when housing starts and housing permits rose to their highest levels of the year. In 2012, housing starts are projected to increase 22.1%, to 741,000 units. That momentum should continue in 2013, as an improving economy combines with pent-up demand for new housing to propel a 33.6% year-over-year increase in housing starts, to 990,000 units. The latest estimates, however, are still well below those in the May, 2011, forecast, when Global Insight expected housing starts to total 1.02 million units in 2012 and 1.42 million units in 2013. As a result, the latest projection for the real value of residential construction activity in 2013 of $400.9 billion is $115.7 billion less than was projected in the May, 2011, forecast ($516.6 billion). This downward revision in the outlook for residential construction is a principal explanation for the more cautious tone of Global Insight's February, 2012, forecast, compared to the May, 2011, forecast.

Corporate Profits. Driven by a combination of factors such as strong profit margins and significant contributions from overseas activities, corporate profits have rebounded substantially from the depressed levels of 2008-2009. In 2010, for example, economic profits increased 32.2% from the prior year. Those gains continued in 2011, with economic profits increasing 8.5% and before-tax book profits increasing 4.8%. Those results were significantly better than Global Insight projected in May, when it anticipated increases of 5.2% and 0.4%, respectively.

As year-over-year comparisons become more challenging, and continued profit margin expansion becomes more difficult to achieve, Global Insight expects the recent gains in corporate profitability to moderate. The February, 2012, forecast calls for economic profits to decline 0.9% in 2012 and to be flat in 2013. The May forecast had expected economic profits to increase 1.5% in 2012 and 2.4% in 2013. Similarly, before-tax book profits are now expected to increase 2.5% and 8.5% in 2012 and 2013, respectively, compared to the 8.6% and 10.0% increases projected in May.

Business Investment. Business investment in equipment and software continued to be one of the primary supports to the U.S. economy in 2011, with real growth of 10.3% over the prior year, as strong profits and large cash reserves enabled businesses to make purchases they deferred during the recession. This positive performance was generally in line with the May, 2011, projections. Looking forward, the latest forecast expects the gains in this sector to continue, with real increases of 7.9% in 2012 and 7.6% in 2013.

Even as businesses increased outlays for equipment and software in recent years, their investment in nonresidential structures was falling by 21.2% in 2009 and 15.8% in 2010, as a result of tight credit markets, high vacancy rates, and weak business conditions. In 2011, investment in nonresidential structures increased 4.1%, which was significantly better than the 3.0% decline Global Insight had projected in May. As a result, the nonresidential structure sector contributed to overall GDP growth in 2011, following several years in which it exerted a significant drag on the economy's performance. In the latest forecast, Global Insight expects the modest recovery in nonresidential structures to continue, with investment increasing 4.0% in 2012 and 1.3% in 2013.

The projections outlined above and summarized in Table 2 reflect Global Insight's February, 2012, "baseline" forecast for the U.S. economy. Global Insight also prepares "pessimistic" and "optimistic" scenarios. Under the pessimistic scenario, given a 25% chance of occurring, the sovereign debt crisis in Europe escalates, causing European credit markets to freeze and credit conditions in the rest of the world to tighten. At the same time, policymakers in the U.S. fail to extend the payroll tax cuts and emergency unemployment insurance benefits beyond March 1, 2012. The results include real GDP growth rates that are much lower (0.6%

and 0.2%) and unemployment rates that are higher (8.7% and 9.5%) in 2012 and 2013, respectively, than projected under the baseline forecast.

In the optimistic scenario, to which Global Insight assigns a 20% probability, the improved economic growth that occurred in the final quarter of 2011 carries into 2012, and is reinforced by the extension of the payroll tax cuts through 2012. Under this scenario, world financial markets avoid the worst-case impacts from Europe's sovereign debt problems, and a self-sustaining cycle of employment gains, investment, and personal consumption generates higher rates of real GDP growth in 2012 (3.3%) and 2013 (4.2%) than are projected under the baseline forecast.

TABLE 2

Summary of National Economic Indicators
IHS Global Insight, Inc., Baseline Forecast, February, 2012
($ in Billions)

	2010	2011	2012	2013
Nominal Gross Domestic Product	$14,526.6	$15,087.8	$15,599.0	$16,177.3
Percent Change	4.2%	3.9%	3.4%	3.7%
Real Gross Domestic Product	$13,088.0	$13,313.4	$13,597.3	$13,907.8
Percent Change	3.0%	1.7%	2.1%	2.3%
Consumer Prices (Percent Change)	1.6%	3.1%	2.0%	1.8%
Personal Income	$12,373.5	$12,961.0	$13,410.7	$13,941.7
Percent Change	3.7%	4.7%	3.5%	4.0%
Personal Consumption Expenditures	$10,245.5	$10,722.6	$11,111.3	$11,510.6
Percent Change	3.8%	4.7%	3.6%	3.6%
Unemployment Rate	9.6%	9.0%	8.3%	8.1%
Total Non-Farm Payrolls (Millions)	129.9	131.4	133.3	135.3
Percent Change	-0.7%	1.2%	1.5%	1.5%
Light Vehicle Sales (Millions of Units)	11.55	12.74	13.64	14.73
Percent Change	11.1%	10.3%	7.1%	8.0%
Housing Starts (Millions of Units)	0.585	0.607	0.741	0.990
Percent Change	5.6%	3.7%	22.1%	33.6%
Economic Profits	$1,800.1	$1,953.6	$1,935.8	$1,936.7
Percent Change	32.2%	8.5%	-0.9%	0.0%

General Fund Tax Projections. Table 3 shows our revised general fund tax revenue estimates for the 2011-13 biennium. The estimates are based on Global Insight's February, 2012, forecast of the U.S. economy and include the impact of all tax law changes enacted to date.

TABLE 3

Projected General Fund Tax Collections
($ Millions)

	2010-11	Previous Estimates		Revised Estimates February, 2012	
	Actual	2011-12	2012-13	2011-12	2012-13
Individual Income	$6,700.7	$6,865.5	$7,220.2	$6,825.0	$7,120.0
General Sales and Use	4,109.0	4,269.8	4,387.1	4,250.0	4,365.0
Corporate Income and Franchise	852.9	880.8	876.1	860.0	855.0
Public Utility	341.3	344.6	352.6	361.0	363.0
Excise					
Cigarette	604.8	615.0	610.0	590.0	580.0
Liquor and Wine	45.8	47.1	48.2	47.4	48.4
Tobacco Products	60.9	63.6	65.7	64.1	66.2
Beer	9.3	9.5	9.5	9.1	9.0
Insurance Company	140.0	147.0	150.0	140.0	145.0
Miscellaneous	47.2	51.6	57.0	48.0	51.9
Total	$12,911.8	$13,294.5	$13,776.4	$13,194.6	$13,603.5
Change from Prior Year					
Amount		$382.7	$481.9	$282.8	$408.9
Percent		3.0%	3.6%	2.2%	3.1%

As shown in the table, total general fund tax collections are estimated at $13,194.6 million in 2011-12 and $13,603.5 million in 2012-13. These amounts are lower than the previous estimates by $99.9 million in the first year and $172.9 million in the second year, for a biennial decrease of $272.8 million. The biennial reduction is approximately -1.0%. The estimates for most of the tax sources have been decreased, with the largest reductions in the individual income tax, cigarette tax, sales and use tax, and corporate income and franchise tax.

The revised revenue projections reflect year-to-date collections data, the new economic forecast, and the effects of a number of law changes that will reduce revenues during the remainder of 2011-12 and in 2012-13. Through January, total tax collections are 3.3% higher than the amount collected during the same period last year, which is slightly above the 3.0% annual growth rate assumed in our previous projections. However, it is anticipated that growth will moderate over the remainder of this fiscal year as the impact of a number of law changes becomes evident. In addition, as discussed previously, the current economic forecast is less favorable than last May's forecast.

Individual Income Tax. State individual income tax revenues were $6,700.7 million in 2010-11 and are currently estimated at $6,825.0 million in 2011-12 and $7,120.0 million in 2012-13. Relative to the previous figures, the current estimates are lower by $40.5 million in the first year and $100.2 million in the second year. On a year-to-year basis, the current estimates reflect an increase of 1.9% for 2011-12 and 4.3% for 2012-13. The revised estimates incorporate the effects of a number of law changes estimated to reduce revenues by approximately $175 million in 2011-12 and $225 million in 2012-13. The most significant law changes are increased deductions for medical insurance premiums, tax deferrals for capital gains that are reinvested in Wisconsin-based businesses, and exclusions and deductions related to health savings accounts. Income tax collections will also be reduced as a result of the additional state and local employee retirement and health insurance contributions required under 2011 Act 10.

Based on preliminary collection information through January, 2012, individual income tax revenues for the current fiscal year are 3.6% higher than such revenues through the same period in 2010-11. However, taxpayers may not have adjusted their withholding and declaration payments to reflect some of the above-referenced law changes, and this could result in higher refunds and lower tax payments in the coming months. This position is supported by January, 2012, collection totals, which were 2.1% lower than collections for the same period last year, when adjusted for timing differences. The revised estimates also reflect a weakening of the current economic forecast relative to the forecast for May, 2011, as growth in personal income, gross domestic product, and employment are estimated to be lower for 2012 and 2013 than previously estimated.

General Sales and Use Tax. In 2010-11, state sales and use tax collections were $4,109.0 million, which was 4.2% higher than the prior year. Sales tax collections through January, 2011, are 3.9% higher than the same period in 2010-11. State sales and use tax revenues are currently estimated at $4,250.0 million in 2011-12 and $4,365.0 million in 2012-13, which represents increased revenue of 3.4% in the first year and 2.7% in the second year. These estimates are $19.8 million lower in the first year and $22.1 million lower in the second year than the previous estimates. The reductions in the estimates are based primarily on reduced growth in Global Insight's forecast for taxable personal consumption expenditures for the most recent forecast as compared to the May, 2011, forecast.

Corporate Income and Franchise Tax. Corporate income and franchise taxes were $852.9 million in 2010-11. Collections are projected to be $860.0 million in 2011-12 and $855.0 million in 2012-13. These amounts represent an annual increase of approximately 1% in 2011-12, and a similar percentage decrease in 2012-13. The new estimates are lower than the previous estimates by $20.8 million in 2011-12 and $21.1 million in 2012-13.

The new estimates reflect year-to-date corporate income and franchise tax collections and estimated payments. Year-to-date collections are 2.1% lower than a year ago. However, 2010-11 collections included a relatively large one-time audit amount that, when accounted for, makes the change in year-to-date 2011-12 collections positive. In addition, year-to-date estimated payments are about 1.5% higher than a year ago. Corporate profits in 2012 and 2013 are forecast to plateau, after strong increases in 2010 and 2011. Economic profits increased 32.2% in 2010 and

8.5% in 2011. The forecast projects economic profits to decrease almost 1% in 2012, and to be essentially flat in 2013. Companies have been able to increase profits, despite a sluggish economy, primarily due to aggressive cost cutting measures, such as reducing spending and workforce. However, the ability of many companies to generate future profits from additional cost cutting measures is limited. In addition, under the forecast, overall business activity is projected to continue to expand, but at a slower pace than in 2010 and 2011. For example, real investment in equipment and software, which increased by 14.6% in 2010, and by an estimated 10.3% in 2011, is projected to increase by 7.9% in 2012, and 7.6% in 2013. Real durable goods purchases increased by 7.2% in 2010 and by an estimated 8.1% in 2011, but are forecast to increase by 5.6% in 2012, and 4.5% in 2013. Manufacturing output growth is projected to be 4.3% in 2012 and 3.4% in 2013, after increasing 5.4% in 2010 and by an estimated 4.5% in 2011.

The corporate income and franchise tax estimates have been adjusted to reflect the effect of certain law changes, including requiring corporations that are members of a unitary group to file combined returns, repealing the domestic production activities deduction, requiring throwback sales to be included 100% in the apportionment formula, allowing combined groups to use pre-2009 net business loss carry-forwards, and the phase-in of the state qualified production activities tax credit. In addition, the estimates have been adjusted to reflect enhanced tax law enforcement activities by the Department of Revenue. In part, the adjustments account for the estimated decrease in corporate income and franchise tax revenues in 2012-13.

Public Utility Taxes. Public utility tax revenues were $341.3 million in 2010-11, and are currently projected at $361.0 million in 2011-12 and $363.0 million in 2012-13. These figures are higher than the previous estimates by $16.4 million in the first year and $10.4 million in the second year. Utility tax collections are currently expected to increase by 5.8% in 2011-12 and 0.6% in 2012-13. Private light, heat, and power companies are responsible for $21.6 million of the $26.8 million in additional estimated revenues over the two-year period. Private light, heat, and power companies are the largest taxpayer group among the public utilities, as they paid almost two-thirds of all public utility taxes in 2010-11. The additional estimated revenues reflect rate increases realized by private light, heat, and power companies due to new production plants being placed in service.

Excise Taxes. General fund excise taxes are imposed on cigarettes, other tobacco products, liquor (including wine and hard cider), and beer. Total excise tax revenues were $720.9 million in 2010-11. Excise tax revenues are currently estimated at $710.6 in 2011-12 and $703.6 million in 2012-13, which represents reduced revenue of $24.6 in the first year and $29.8 million in the second year compared to the prior estimates. Excise tax revenues have been reduced largely due to a reduction in estimated cigarette tax collections, which represent approximately 83% of total estimated tax revenue.

Cigarette tax revenues were $604.8 million in 2010-11, which was $15.2 million lower than estimated. Cigarette tax revenues are now estimated at $590.0 million for 2011-12 and $580.0 million for 2012-13, representing growth rates of -2.4% and -1.7%, respectively. These estimates are lower than the previous estimates by $25.0 million in 2011-12 and by $30.0 million in 2012-13 and are based on the lower than expected tax collections in 2010-11, as well as lower than expected year-to-date tax collections.

Insurance Premiums Taxes. Insurance premiums taxes were $140.0 million in 2010-11. Premiums tax collections are projected to be $140.0 million in 2011-12 and $145.0 million in 2012-13. The estimate for 2011-12 reflects year-to-date collections which are marginally lower (-0.07%) than in 2010-11. Industry forecasts project modest to solid annual increases in sales and premiums in 2012 and 2013. The revised estimates are lower than the prior estimates by $7.0 million in 2011-12 and $5.0 million in 2012-13.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee (RETF), municipal and circuit court-related fees, a small amount from the occupational tax on coal, and some estate tax revenue from ongoing lawsuit settlements. Miscellaneous tax revenues were $47.2 million in 2010-11, and are estimated at $48.0 million in 2011-12 and $51.9 million in 2012-13. These estimates are lower than the previous estimates by $3.6 million in the first year and $5.1 million in the second year. The reduction in estimated revenue is due, in part, to lower than expected year-to-date RETF collections and, in part, to the revised forecast for sales of new and existing homes as compared to the prior estimates.

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

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas

General Fund Information; General Fund Cash Flow (Part II; Pages 41-50). The following tables provide updates and additions to various tables containing General Fund information for the 2011-12 fiscal year, which are presented on either a cash basis or an agency-recorded basis. Unless otherwise noted, these tables contain information through June 30, 2012. The following tables also include General Fund information for the 2012-13 fiscal year, which are presented on a cash basis. Unless otherwise noted, these tables contain information through September 30, 2012; some of this information became available after the date of the Preliminary Official Statement (dated October 22, 2012).

The results, projections, and estimates in the following tables for the 2011-12 fiscal year reflect the General Fund tax revenue collection estimates included in the February 9, 2012 LFB Memorandum and estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum, the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), and $800 million of operating note receipts received on July 19, 2011 and the resulting impoundment payments due in February, March, April, and May 2012.

The results, projections, and estimates in the following tables for the 2012-13 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32) and the projected General Fund tax collections included in the May 10, 2012 DOA Memorandum.

The comparison of monthly General Fund information that is presented on a cash basis has many inherent problems. Unforeseen events or variations from underlying assumptions may cause a decrease or increase in receipts and disbursements from those projected for any specific month. The following tables may show negative balances on a cash basis. The State can have a negative cash balance at the end of a fiscal year.

The Wisconsin Statutes provide certain administrative remedies, such as temporary reallocation, to deal with periods when the balance, on a cash basis, is negative. The Secretary of Administration currently may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect and may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect. The above reallocation limit of 9% applies to the 2011-13 biennium; assuming no change in State law, the reallocation limit will change to 5% at the start of the 2013-14 fiscal year.

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

Table II-10; General Fund Cash Flow (Part II; Page 45). Replace with the following updated tables.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2011 TO JUNE 30, 2012[(a)]

(Amounts in Thousands)

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
BALANCES[(a)(b)]												
Beginning Balance	$ 303,777	$ 68,536	$ 331,967	$ 694,160	$ 1,542,231	$ 1,364,658	$ 815,864	$ 1,845,045	$ 1,688,805	$ 478,655	$ 1,322,678	$ 1,774,789
Ending Balance[(c)]	68,536	331,967	694,160	1,542,231	1,364,658	815,864	1,845,045	1,688,805	478,655	1,322,678	1,774,789	974,952
Lowest Daily Balance [(c)]	(106,671)	(193,350)	160,234	694,160	1,082,929	101,074	815,864	1,542,206	478,655	478,655	1,241,106	720,316
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 493,305	$ 681,394	$ 712,034	$ 687,765	$ 500,417	$ 555,255	$ 1,132,633	$ 529,728	$ 515,755	$ 1,447,058	$ 514,748	$ 617,328
Sales & Use	409,609	404,000	401,378	392,580	376,919	360,282	434,620	314,420	325,030	374,740	401,068	387,050
Corporate Income	37,126	39,496	174,950	36,185	32,452	155,644	36,997	28,926	209,967	72,167	24,629	187,783
Public Utility	28	43	42	7,675	182,177	2,834	51	1	13	5,006	167,895	705
Excise	67,793	66,226	68,097	58,065	64,017	60,090	57,010	42,922	52,700	56,593	58,879	65,057
Insurance	2	600	12,374	11	602	12,218	5,209	26,990	11,002	14,850	1,158	13,570
Subtotal Tax Receipts	$ 1,007,863	$ 1,191,759	$ 1,368,875	$ 1,182,281	$ 1,156,584	$ 1,146,323	$ 1,666,520	$ 942,987	$ 1,114,467	$ 1,970,414	$ 1,168,377	$ 1,271,493
NON-TAX RECEIPTS												
Federal[(d)]	$ 492,597	$ 698,242	$ 928,719	$ 658,109	$ 721,774	$ 660,512	$ 961,824	$ 854,443	$ 665,024	$ 702,772	$ 691,655	$ 595,743
Other & Transfers	590,592	263,237	583,397	677,134	547,315	497,392	304,514	629,938	489,432	467,722	406,422	532,688
Note Proceeds[(e)]	804,894	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,888,083	$ 961,479	$ 1,512,116	$ 1,335,243	$ 1,269,089	$ 1,157,904	$ 1,266,338	$ 1,484,381	$ 1,154,456	$ 1,170,494	$ 1,098,077	$ 1,128,431
TOTAL RECEIPTS	$ 2,895,946	$ 2,153,238	$ 2,880,991	$ 2,517,524	$ 2,425,673	$ 2,304,227	$ 2,932,858	$ 2,427,368	$ 2,268,923	$ 3,140,908	$ 2,266,454	$ 2,399,924
DISBURSEMENTS												
Local Aids	$ 1,499,562	$ 171,288	$ 839,981	$ 108,662	$ 970,286	$ 1,125,174	$ 194,969	$ 242,153	$ 1,162,195	$ 116,408	$ 146,132	$ 1,804,841
Income Maintenance	494,447	641,061	666,896	638,141	683,305	695,917	700,313	669,011	668,952	657,177	539,140	428,534
Payroll and Related	347,575	350,128	402,141	303,497	345,744	461,132	439,962	394,793	476,146	312,280	428,479	444,193
Tax Refunds	119,879	71,956	60,865	104,942	80,146	138,105	118,310	631,696	504,393	433,577	133,598	101,786
Debt Service	230,057	-	-	123,914	21	-	-	-	-	166,060	-	39
Miscellaneous[(f)]	426,773	655,374	548,915	390,297	523,744	432,693	450,123	455,318	463,805	404,785	363,383	420,368
Note Repayment[(e)]	12,894	-	-	-	-	-	-	190,637	203,582	206,598	203,611	-
TOTAL DISBURSEMENTS	$ 3,131,187	$ 1,889,807	$ 2,518,798	$ 1,669,453	$ 2,603,246	$ 2,853,021	$ 1,903,677	$ 2,583,608	$ 3,479,073	$ 2,296,885	$ 1,814,343	$ 3,199,761

(a) The results, projections, or estimates in this table reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the updated General Fund tax revenue estimates for the 2011-12 fiscal year as included in the February 9, 2012 LFB Memorandum, and the estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum. This table does not include any temporary reallocations of cash.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from $500 million to $1.2 billion during the 2011-12 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $60 million during the 2011-12 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. For the 2011-12 fiscal year, the Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2011-12 fiscal year are approximately $1.260 billion and $420 million, respectively. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

(d) The July 2011 Federal receipts estimate was reduced by approximately $271 million and recategorized as Other & Transfers to be received throughout the fiscal year. These revisions reflect a change in the projected timing and estimated disbursements for the Medicaid program.

(e) Includes proceeds of $800 million of operating notes issued on July 19, 2011 and impoundment payments made in February, March, April, and May 2012. The February 2012 impoundment payment reflected the premium received on July 19, 2011 and deposited into the Operating Note Redemption Fund.

(f) Reflects $234 million paid to the Injured Patients and Families Compensation Fund on August 2, 2011.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2012 TO SEPTEMBER 30, 2012
PROJECTED GENERAL FUND CASH FLOW; OCTOBER 1, 2012 TO JUNE 30, 2013[(a)]

	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013
BALANCES[(a)(b)]												
Beginning Balance	$ 974,952	$ 171,004	$ 464,971	$ 998,942	$ 1,675,653	$ 1,314,514	$ 839,452	$ 1,722,138	$ 1,679,338	$ 558,875	$ 927,113	$ 1,256,618
Ending Balance[(c)]	171,004	464,971	998,942	1,675,653	1,314,514	839,452	1,722,138	1,679,338	558,875	927,113	1,256,618	717,866
Lowest Daily Balance[(c)]	(81,178)	(77,183)	304,320	998,942	1,313,793	18,043	839,452	1,242,778	506,328	443,279	501,288	148,937
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 779,833	$ 526,215	$ 690,069	$ 837,586	$ 539,858	$ 693,815	$ 1,025,413	$ 561,626	$ 481,224	$ 1,419,161	$ 564,401	$ 641,597
Sales & Use	434,120	409,901	406,842	405,859	394,090	366,505	439,639	336,322	327,008	369,246	366,723	407,674
Corporate Income	33,593	27,182	163,442	40,868	37,474	159,580	38,279	25,605	199,674	48,952	29,379	156,238
Public Utility	33	3	85	7,607	180,566	2,809	50	1	-	4,924	173,336	537
Excise	64,041	65,601	65,272	63,919	58,650	59,342	59,759	47,349	47,488	61,006	52,203	58,928
Insurance	1,911	1,267	13,610	285	1,037	25,287	711	24,567	15,020	14,784	861	11,357
Subtotal Tax Receipts	$ 1,313,531	$ 1,030,169	$ 1,339,320	$ 1,356,124	$ 1,211,675	$ 1,307,338	$ 1,563,851	$ 995,470	$ 1,070,414	$ 1,918,073	$ 1,186,903	$ 1,276,331
NON-TAX RECEIPTS												
Federal	$ 797,195	$ 685,720	$ 971,426	$ 682,029	$ 707,725	$ 675,770	$ 874,754	$ 759,071	$ 724,647	$ 692,566	$ 820,526	$ 840,114
Other & Transfers	409,758	346,512	342,076	562,117	372,567	341,630	514,003	649,618	396,418	402,233	329,505	500,168
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,206,953	$ 1,032,232	$ 1,313,502	$ 1,244,146	$ 1,080,292	$ 1,017,400	$ 1,388,757	$ 1,408,689	$ 1,121,065	$ 1,094,799	$ 1,150,031	$ 1,340,282
TOTAL RECEIPTS	$ 2,520,484	$ 2,062,401	$ 2,652,822	$ 2,600,270	$ 2,291,967	$ 2,324,738	$ 2,952,608	$ 2,404,159	$ 2,191,479	$ 3,012,872	$ 2,336,934	$ 2,616,613
DISBURSEMENTS												
Local Aids	$ 1,458,204	$ 172,452	$ 739,682	$ 138,134	$ 884,926	$ 1,279,495	$ 220,521	$ 234,388	$ 1,201,384	$ 133,860	$ 153,579	$ 1,830,167
Income Maintenance	919,127	675,752	642,086	624,421	690,344	670,727	724,285	634,742	626,704	645,581	548,033	285,766
Payroll and Related	268,154	397,278	233,210	421,143	544,199	285,668	424,716	384,191	378,386	412,348	542,285	349,966
Tax Refunds	60,615	89,758	62,441	106,743	95,851	141,053	129,344	643,453	620,579	497,498	153,307	104,564
Debt Service	229,209	467	278	180,479	8,178	258	-	8,178	-	516,306	132,531	-
Miscellaneous	389,123	432,727	441,154	452,639	429,608	422,599	571,056	542,007	484,889	439,041	477,693	584,902
Note Repayment	-	-	-	-	-	-	-	0	0	0	0	-
TOTAL DISBURSEMENTS	$ 3,324,432	$ 1,768,434	$ 2,118,851	$ 1,923,559	$ 2,653,106	$ 2,799,800	$ 2,069,922	$ 2,446,959	$ 3,311,942	$ 2,644,634	$ 2,007,428	$ 3,155,365

(a) The results, projections, or estimates in this table reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32) and the projected General Fund tax collections for the 2012-13 fiscal year as included in the May 10, 2012 DOA Memorandum. This table does not include any temporary reallocations of cash.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds are expected to range from $600 million to $1.2 billion during the 2012-13 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $30 million during the 2012-13 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. For the 2012-13 fiscal year, the Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2012-13 fiscal year are approximately $1.329 billion and $443 million, respectively. If the amount available for temporary reallocation to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

Table II-11; General Fund Cash Receipts and Disbursements Year-to-Date; Compared to Estimates and Previous Fiscal Year (Part II; Page 46). Replace with the following updated table.

2011-12 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of June 30, 2012
(Amounts in Thousands)

	FY11 through June 2011	FY12 through June 2012				
	Actual	Actual[(b)]	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY11 Actual to FY12 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 8,150,863	$ 8,387,420	$ 8,470,702	$ (83,282)	$ (83,282)	$ 236,557
Sales	4,334,049	4,581,696	4,333,478	248,218	248,218	247,647
Corporate Income	1,036,477	1,036,322	881,965	154,357	154,357	(155)
Public Utility	346,443	366,470	351,471	14,999	14,999	20,027
Excise	730,363	717,449	717,766	(317)	(317)	(12,914)
Insurance	158,476	98,586	143,126	(44,540)	(44,540)	(59,890)
Total Tax Receipts	$ 14,756,671	$ 15,187,943	$ 14,898,508	$ 289,435	$ 289,435	$ 431,272
Non-Tax Receipts						
Federal	$ 9,508,127	$ 8,631,414	$ 8,387,258	$ 244,156	$ 244,156	$ (876,713)
Other and Transfers	5,303,259	5,989,783	5,433,747	556,036	556,036	686,524
Note Proceeds	803,408	804,894	804,894	-	-	1,486
Total Non-Tax Receipts	$ 15,614,794	$ 15,426,091	$ 14,625,899	$ 800,192	$ 800,192	$ (188,703)
TOTAL RECEIPTS	$ 30,371,465	$ 30,614,034	$ 29,524,407	$ 1,089,627	$ 1,089,627	$ 242,569
DISBURSEMENTS						
Local Aids	$ 8,984,772	$ 8,381,651	$ 8,507,297	$ 125,646	$ 125,646	$ (603,121)
Income Maintenance	7,680,323	7,482,894	6,773,451	(709,443)	(709,443)	(197,429)
Payroll & Related	5,108,098	4,706,070	4,775,622	69,552	69,552	(402,028)
Tax Refunds	2,402,649	2,499,253	2,631,619	132,366	132,366	96,604
Debt Service	546,455	520,091	613,511	93,420	93,420	(26,364)
Miscellaneous	4,916,788	5,535,578	5,707,898	172,320	172,320	618,790
Note Repayment	811,909	817,322	814,488	(2,834)	(2,834)	5,413
TOTAL DISBURSEMENTS	$ 30,450,994	$ 29,942,859	$ 29,823,886	$ (118,973)	$ (118,973)	$ (508,135)
2011-12 FISCAL YEAR VARIANCE YEAR-TO-DATE				$ 970,654	$ 970,654	

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) The results, projections, and estimates in this table for the 2011-12 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the General Fund tax revenue collection estimates included in the February 9, 2012 LFB Memorandum and the estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum, and $800 million of operating note receipts received on July 19, 2011 and the resulting impoundment payments due in February, March, April, and May 2012.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result in large variances. This column includes adjustments to the variances, if any, to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-11; General Fund Cash Receipts and Disbursements Year-to-Date; Compared to Estimates and Previous Fiscal Year (Part II; Page 46). Update with the following additional table.

2012-13 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of September 30, 2012
(Amounts in Thousands)

	FY12 through September 2011	FY13 through September 2012				
	Actual	Actual[(b)]	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY12 Actual to FY13 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 1,886,733	$ 1,996,116	$ 1,938,906	$ 57,210	$ 57,210	$ 109,383
Sales	1,214,987	1,250,863	1,256,923	(6,060)	(6,060)	35,876
Corporate Income	241,572	224,217	223,119	1,098	1,098	(17,355)
Public Utility	113	121	111	10	10	8
Excise	202,116	194,914	184,615	10,299	10,299	(7,202)
Insurance	12,976	16,788	26,307	(9,519)	(9,519)	3,812
Total Tax Receipts	$ 3,558,497	$ 3,683,019	$ 3,629,981	$ 53,038	$ 53,038	$ 124,522
Non-Tax Receipts						
Federal	$ 2,119,558	$ 2,454,341	$ 2,167,730	$ 286,611	$ 286,611	$ 334,783
Other and Transfers	1,437,226	1,098,346	1,406,658	(308,312)	(308,312)	(338,880)
Note Proceeds	804,894	-	-	-	-	(804,894)
Total Non-Tax Receipts	$ 4,361,678	$ 3,552,687	$ 3,574,388	$ (21,701)	$ (21,701)	$ (808,991)
TOTAL RECEIPTS	$ 7,920,175	$ 7,235,706	$ 7,204,369	$ 31,337	$ 31,337	$ (684,469)
DISBURSEMENTS						
Local Aids	$ 2,510,831	$ 2,370,338	$ 2,357,790	$ (12,548)	$ (12,548)	$ (140,493)
Income Maintenance	1,802,404	2,236,965	2,147,047	(89,918)	(89,918)	434,561
Payroll & Related	1,099,844	898,642	999,039	100,397	100,397	(201,202)
Tax Refunds	242,700	212,814	230,641	17,827	17,827	(29,886)
Debt Service	230,057	229,954	238,714	8,760	8,760	(103)
Miscellaneous	1,631,062	1,263,004	1,516,868	253,864	253,864	(368,058)
Note Repayment	12,894	-	-	-	-	(12,894)
TOTAL DISBURSEMENTS	$ 7,529,792	$ 7,211,717	$ 7,490,099	$ 278,382	$ 278,382	$ (318,075)
2012-13 FISCAL YEAR VARIANCE YEAR-TO-DATE				$ 309,719	$ 309,719	

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) The results, projections, and estimates in this table for the 2012-13 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the General Fund tax revenue collection estimates included in the May 10, 2012 DOA Memorandum.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed, which may result in large variances. This column includes adjustments to the variances, if any, to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-12; General Fund Monthly Cash Position (Part II; Page 47). Replace with the following updated table.

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2010 through September 30, 2012 – Actual
October 1, 2012 through June 30, 2013 – Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2010	July	$ 383,306	(d)	$ 3,033,669	$ 3,501,423
	August	(84,448)	(d)	2,220,600	1,638,533
	September	497,619		2,862,024	2,439,651
	October	919,992		2,127,540	1,607,624
	November	1,439,908		2,475,495	2,489,150
	December	1,426,253	(d)	2,113,524	3,648,753
2011	January	(108,976)	(d)	3,455,330	1,595,375
	February	1,750,979		2,259,769	2,283,655
	March	1,727,093		2,339,013	3,451,895
	April	614,211		2,518,414	2,161,460
	May	971,165		2,216,355	1,734,386
	June	1,453,134		2,749,732	3,899,089
	July	303,777	(d)	2,895,946	3,131,187
	August	68,536	(d)	2,153,238	1,889,807
	September	331,967		2,880,991	2,518,798
	October	694,160		2,517,524	1,669,453
	November	1,542,231		2,425,673	2,603,246
	December	1,364,658		2,304,227	2,853,021
2012	January	815,864		2,932,858	1,903,677
	February	1,845,045		2,427,368	2,583,608
	March	1,688,805		2,268,923	3,479,073
	April	478,655		3,140,908	2,296,885
	May	1,322,678		2,266,454	1,814,343
	June	1,774,789		2,399,924	3,199,761
	July	974,952	(d)	2,520,484	3,324,432
	August	171,004	(d)	2,062,401	1,768,434
	September	464,971		2,652,821	2,118,851
	October	998,941		2,600,270	1,923,559
	November	1,675,652		2,291,967	2,653,106
	December	1,314,513		2,324,738	2,799,800
2013	January	839,451		2,952,608	2,069,922
	February	1,722,137		2,404,159	2,446,959
	March	1,679,337		2,191,479	3,311,942
	April	558,874		3,012,872	2,644,634
	May	927,112		2,336,934	2,007,428
	June	1,256,617		2,616,613	3,155,365

Source: Wisconsin Department of Administration.

(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

(b) The results, projections, or estimates in this table for the 2011-12 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the General Fund tax revenue collection estimates included in the February 9, 2012 LFB Memorandum and the May 10, 2012 DOA Memorandum, and the $800 million of operating note receipts received on July 19, 2011 and the resulting impoundment payments due in February, March, April, and May 2012. The projections or estimates for the 2012-13 fiscal year reflect the budget bill for the 2011-13 biennium and the estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum.

(c) Operating notes were issued for the 2010-11 and 2011-12 fiscal years, but it is expected that no operating notes will be issued for the 2012-13 fiscal year.

(d) At some period during this month, the General Fund was in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration can temporarily reallocate cash in other funds to the General Fund up to 9% of the general purpose revenue appropriations then in effect. For the 2011-12 fiscal year, this amount was $1.260 billion and for the 2012-13 fiscal year, this amount is $1.329 billion. In addition, the Secretary of Administration can also temporarily reallocate an additional amount of up to 3% of general purpose revenue appropriations for period of up to 30 days. For the 2011-12 fiscal year, this amount was $420 million and for the 2012-13 fiscal year, this amount is $443 million. If the amount available for temporary reallocation to the General Fund is insufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration

Table II-13; Cash Balances in Funds Available for Temporary Reallocation (Part II; Page 48). Replace with the following updated table.

CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION[(a)]
July 31, 2010 to September 30, 2012 – Actual
October 31, 2012 to June 30, 2013 – Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation. The first table does not include balances in the Local Government Investment Pool **(LGIP)**, and the second table does include such balances. Though the LGIP is available for temporary reallocation, funds in the LGIP are deposited and withdrawn by local units of government and thus are outside the control of the State. The monthly average daily balances in the LGIP for the past five years have ranged from a low of $2.113 billion during November 2011 to a high of $4.347 billion during February 2009. The Secretary of Administration may not exercise the authority to make temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which the temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2010	2011	2012	2013
January		$ 1,197	$ 1,428	$ 1,428
February		1,416	1,478	1,578
March		1,548	1,520	1,520
April		1,654	1,529	1,529
May		1,657	1,500	1,289
June		1,625	1,596	1,427
July	$ 1,188	1,402	1,460	
August	1,246	1,586	1,498	
September	1,335	1,542	1,569	
October	1,283	1,321	1,321	
November	1,242	1,349	1,349	
December	1,185	1,438	1,438	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2010	2011	2012	2013
January		$ 4,389	$ 4,645	$ 4,645
February		4,482	4,658	4,658
March		4,745	4,925	4,925
April		4,511	4,542	4,542
May		4,243	4,086	3,842
June		4,091	4,018	4,035
July	$ 4,469	4,648	4,620	
August	3,883	4,229	4,176	
September	3,833	3,905	3,998	
October	3,495	3,421	3,420	
November	3,585	3,484	3,484	
December	3,974	4,122	4,122	

[(a)] The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and temporary reallocations were made from such fund.

Source: Wisconsin Department of Administration

Table II-14; General Fund Recorded Revenues (Part II; Page 49). Replace with the following updated tables.

GENERAL FUND RECORDED REVENUES[(a)]
(Agency-Recorded Basis)
July 1, 2011 to June 30, 2012 Compared With Previous Year (Final)

	Annual Fiscal Report Revenues 2010-11 Fiscal Year[(b)]	Projected Revenues 2011-12 Fiscal Year[(c)]	Recorded Revenues July 1, 2010 to June 30, 2011[(d)]	Recorded Revenues July 1, 2011 to June 30, 2012[(e)]
Individual Income Tax	$ 6,700,647,000	$ 6,868,230,000	$ 6,339,518,427	$ 6,536,435,504
General Sales and Use Tax	4,109,019,000	4,269,805,000	3,701,843,619	3,871,579,925
Corporate Franchise and Income Tax	852,863,000	880,800,000	804,846,422	863,258,352
Public Utility Taxes	341,344,000	344,600,000	341,344,029	365,896,544
Excise Taxes	720,846,000	735,200,000	654,903,727	647,527,146
Inheritance Taxes	(128,000)	-	178,522	309,683
Insurance Company Taxes	139,951,000	147,000,000	98,183,296	134,511,660
Miscellaneous Taxes	47,323,000	51,600,000	68,353,664	76,171,331
SUBTOTAL........................	12,911,865,000	13,297,235,000	12,009,171,707	12,495,690,144
Federal and Other Inter-Governmental Revenues[(f)]	11,170,454,000	8,635,594,800	10,976,985,186	9,846,668,596
Dedicated and Other Revenues[(g)]	4,844,199,000	5,187,165,700	4,892,839,759	5,086,072,546
TOTAL..............................	$ 28,926,518,000	$ 27,119,995,500	$ 27,878,996,652	$ 27,428,431,287

(a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2010-11 fiscal year, dated October 15, 2011.

(c) The results, projections, or estimates included in this table on an agency-recorded basis reflect the 2011-13 biennial budget (2011 Wisconsin Act 32) and the General Fund tax revenue estimates released by LFB on May 11, 2011. The projections and estimates in this table do not reflect the updated General Fund tax revenue estimates included in the February 9, 2012 LFB Memorandum or the May 10, 2012 DOA Memorandum.

(d) The amounts shown are 2010-11 fiscal year revenues as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue (**DOR**) from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(e) The amounts shown are 2011-12 fiscal year general purpose revenues and program revenue taxes collected across all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

GENERAL FUND RECORDED REVENUES[a]
(Agency-Recorded Basis)
July 1, 2012 to September 30, 2012 Compared With Previous Year

	Annual Fiscal Report Revenues 2011-12 Fiscal Year[b]	Projected Revenues 2012-13 Fiscal Year[c]	Recorded Revenues July 1, 2011 to September 30, 2011[d]	Recorded Revenues July 1, 2012 to September 30, 2012[e]
Individual Income Tax	$ 7,041,673,000	$ 7,153,900,000	$ 1,472,844,073	$ 1,418,544,708
General Sales and Use Tax	4,288,739,000	4,420,100,000	$737,125,543	$741,379,027
Corporate Franchise and Income Tax	906,575,000	852,300,000	214,335,053	187,574,269
Public Utility Taxes	365,912,000	357,700,000	113,369	61,384
Excise Taxes	709,553,000	699,400,000	137,743,778	132,196,038
Inheritance Taxes	323,000	-	192,581	-18,551
Insurance Company Taxes	148,082,000	143,100,000	20,895,735	25,448,499
Miscellaneous Taxes	53,774,000	48,700,000	11,703,495	13,766,220
SUBTOTAL..........................	13,514,631,000	13,675,200,000	2,594,953,626	2,518,951,595
Federal and Other Inter-Governmental Revenues[f]	10,067,623,000	8,588,544,400	2,333,568,071	2,547,832,272
Dedicated and Other Revenues[g]	4,975,160,000	5,347,083,300	1,390,109,162	1,358,370,773
TOTAL............................	$ 28,557,414,000	$ 27,610,827,700	$ 6,318,630,859	$ 6,425,154,640

(a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2011-12 fiscal year, dated October 15, 2012.

(c) The results, projections, or estimates included in this table on an agency-recorded basis reflect the 2011-13 biennial budget (2011 Wisconsin Act 32) and the General Fund tax revenue estimates in the May 10, 2012 DOA Memorandum.

(d) The amounts shown are 2011-12 fiscal year revenues as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue (**DOR**) from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(e) The amounts shown are 2012-13 fiscal year general purpose revenues and program revenue taxes collected across all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

Table II-15; General Fund Recorded Expenditures by Function (Part II; Page 50). Replace with the following updated tables.

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency-Recorded Basis)
July 1, 2011 to June 30, 2012 Compared With Previous Year (Final)

	Annual Fiscal Report Expenditures 2010–11 Fiscal Year[(b)]	Appropriations 2011–12 Fiscal Year[(c)]	Recorded Expenditures July 1, 2010 to June 30, 2011[(d)]	Recorded Expenditures July 1, 2011 to June 30, 2012[(e)]
Commerce	$ 375,405,000	$ 256,405,500	$ 393,115,656	$ 212,105,919
Education	12,227,699,000	11,618,349,000	12,238,342,270	11,675,168,003
Environmental Resources	207,892,000	246,148,500	207,411,763	178,062,706
Human Relations & Resources	12,462,717,000	11,177,683,100	12,426,892,372	11,811,866,537
General Executive	1,190,324,000	1,150,243,700	1,141,625,697	1,114,002,850
Judicial	134,965,000	138,688,000	134,551,985	131,383,743
Legislative	66,263,000	75,226,800	66,198,679	64,528,115
General Appropriations	2,286,559,000	2,470,053,300	2,272,267,078	2,368,152,601
TOTAL	$ 28,951,824,000	$ 27,132,797,900	$ 28,880,405,499	$ 27,555,270,474

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2010-11 fiscal year, dated October 15, 2011.

(c) The results and estimates included in this table reflect the 2011-13 biennial budget (2011 Wisconsin Act 32). The projections and estimates in this table do not reflect the updated General Fund tax revenue estimates included in the February 9, 2012 LFB Memorandum or the May 10, 2012 DOA Memorandum.

(d) The amounts shown are 2010-11 fiscal year expenditures as recorded by all State agencies.

(e) The amounts shown are 2011-12 fiscal year general purpose revenues and program revenue taxes collected across all State agencies.

Source: Wisconsin Department of Administration

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency-Recorded Basis)
July 1, 2012 to September 30, 2012 Compared With Previous Year

	Annual Fiscal Report Revenues 2011-12 Fiscal Year[(b)]	Projected Revenues 2012-13 Fiscal Year[(c)]	Recorded Revenues July 1, 2011 to September 30, 2011[(d)]	Recorded Revenues July 1, 2012 to September 30, 2012[(e)]
Individual Income Tax	$ 7,041,673,000	$ 7,153,900,000	$ 1,472,844,073	$ 1,418,544,708
General Sales and Use Tax	4,288,739,000	4,420,100,000	$737,125,543	$741,379,027
Corporate Franchise and Income Tax	906,575,000	852,300,000	214,335,053	187,574,269
Public Utility Taxes	365,912,000	357,700,000	113,369	61,384
Excise Taxes	709,553,000	699,400,000	137,743,778	132,196,038
Inheritance Taxes	323,000	-	192,581	-18,551
Insurance Company Taxes	148,082,000	143,100,000	20,895,735	25,448,499
Miscellaneous Taxes	53,774,000	48,700,000	11,703,495	13,766,220
SUBTOTAL..........................	13,514,631,000	13,675,200,000	2,594,953,626	2,518,951,595
Federal and Other Inter-Governmental Revenues[(f)]	10,067,623,000	8,588,544,400	2,333,568,071	2,547,832,272
Dedicated and Other Revenues[(g)]	4,975,160,000	5,347,083,300	1,390,109,162	1,358,370,773
TOTAL..................................	$ 28,557,414,000	$ 27,610,827,700	$ 6,318,630,859	$ 6,425,154,640

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2011-12 fiscal year, dated October 15, 2012.

(c) The results and estimates included in this table reflect the 2011-13 biennial budget (2011 Wisconsin Act 32). The projections and estimates in this table also reflect the May 10, 2012 DOA Memorandum.

(d) The amounts shown are 2011-12 fiscal year expenditures as recorded by all State agencies.

(e) The amounts shown are 2012-13 fiscal year general purpose revenues and program revenue taxes collected across all State agencies.

APPENDIX B
SUMMARY OF THE INDENTURE

The following is a summary of certain provisions, including certain defined terms used therein, of the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through its Department of Administration, and Deutsche Bank Trust Company Americas, New York, New York, as trustee, as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, a Second Supplemental Trust Indenture, dated as of April 1, 2008, a Third Supplemental Trust Indenture, dated as of June 1, 2008, and a Fourth Supplemental Trust Indenture, dated as of November 1, 2012 **(Fourth Supplemental Trust Indenture)**, all between the State, acting by and through the Department, and the Trustee (collectively, as supplemented and amended, **Indenture**). The summary does not purport to be complete, and reference is made to the full text of the Indenture for a complete recital of its terms, including the defined terms used therein.

Definitions of Certain Terms

2003 Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, contracted by the Department pursuant to the Act and an Authorizing Certification in the aggregate original principal amount of $1,794,850,000, consisting of two Series designated Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). The Series B Bonds of the 2003 Bonds were subsequently refunded by the 2008 Bonds and are no longer Outstanding.

2008 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2008, contracted by the Department pursuant to the Act and Authorizing Certifications in the aggregate original principal amount of $1,007,120,000, consisting of three Series designated Series A (Taxable Fixed Rate) **(2008 Series A Bonds),** Series B (Taxable Floating Rate Notes) **(2008 Series B Bonds)**, and Series C (Taxable Floating Rate Notes) **(2008 Series C Bonds)**.

2012 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable), dated their date of delivery (on or about November 29, 2012), and contracted by the Department pursuant to the Act and an Authorizing Certification in the aggregate original principal amount of $251,555,000**.**

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 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, 2008 Bonds, and 2012 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 a Supplemental Indenture pursuant to which the Additional Bonds are issued;

(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 (i) all amounts appropriated by law pursuant to Sections 20.505(1)(br), 20.505(1)(iq), and 20.505(1)(it), Wisconsin Statutes, or any successor provisions, from year to year with respect to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations; and (ii) 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, 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 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 or his or her designee and delivered to the Governor, authorizing the execution and delivery of one or more Series of Bonds.

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

Bondowner means the Registered Owner of a Bond.

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

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

Bond Insurers means (i) with respect to the 2003 Bonds, Assured Guaranty Municipal Corp., as successor to Financial Security Assurance Inc., (ii) with respect to certain of the 2008 Bonds, Assured Guaranty Municipal Corp., as successor to Financial Security Assurance Inc., and (iii) 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, the 2012 Bonds, and any further Additional Bonds.

Book Entry Form or **Book Entry System** means 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, 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 (i) a Saturday, Sunday or legal holiday, (ii) 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 (iii) 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 or **Credit Facilities** 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 Bond Insurers.

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 Bonds and certain of the 2008 Bonds, and provides that a Supplemental Indenture authorizing a Series of Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Bonds.

Department means the Department of Administration of the State.

Deposit Amount means the amount certified by the Secretary 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.

Escrow Fund means the escrow fund created by the Fourth Supplemental Trust Indenture.

Event of Default has the meaning attributed to it under "Defaults and Remedies; *Events of Default*" in this APPENDIX B.

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, 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 "Appropriated Funds and Funds and Accounts; *Establishment of Funds and Certain Accounts*" in this APPENDIX B.

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, and 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.

Maximum Rate means the lesser of (i) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (ii) 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% per annum.

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:

(a) 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,

(b) Bonds for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act.

(c) Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange or replacement as provided in the Indenture, and

(d) 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 "Certain Rights of Credit Issuers" in this APPENDIX B.

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:

(a) 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,

(b) 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,

(c) 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,

(d) 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,

(e) banker's acceptances accepted by banks located in the United States,

(f) 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

(g) any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law.

The Indenture provides further restrictions on Qualified Investments while any 2003 Bonds and certain of the 2008 Bonds are Outstanding, and provides that a Supplemental Indenture authorizing a Series of Bonds may include further restrictions on Qualified Investments while any Bonds of such Series are Outstanding.

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 (i) 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, (ii) identifies the date on which the notice is published and the date on which the Bonds will be redeemed, (iii) states the price at which the Bonds will be redeemed, (iv) 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, (v) 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, (vi) identifies by name and phone number a representative of the Trustee who may be contacted for more information, and (vii) in the case of redemption of a Series of Bonds for which such a notice is authorized, state 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 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 means Deutsche Bank Trust Company Americas, New York, New York, or its successor.

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.

The Bonds

Limitation

The sum of the aggregate principal amount of Bonds issued under the Indenture may not exceed the limit set forth in the 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:

(a) the amount representing accrued interest, if any, on the Bonds to be deposited in the Proceeds Account;

(b) the amount representing Funded Interest to be deposited in the Proceeds Account; and

(c) the amount, if any, to be deposited in any other fund or account as provided in the Closing Statement.

The Closing Statement shall further specify the application of such monies.

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, the 2008 Bonds, and the 2012 Bonds, provided that:

(i) the aggregate amount of Bonds issued may not exceed the amount authorized by the Act, and

(ii) 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.

For each Series of Additional Bonds, the Department 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: (i) a Supplemental Indenture executed on behalf of the State by the Department and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale; (ii) a copy of the Authorizing Certification executed by the Secretary or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds, (iii) a request and authorization to the Trustee by the Department on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds and (iv) evidence of a Rating Confirmation.

General Terms and Provisions of Bonds

Liability of the State Subject to Annual Appropriation

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 which are subject to annual appropriation by the legislature of the State. The Bonds, Swap Payment Obligations and Credit Facility Payment Obligations are a valid claim 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.

Registration, Transfer and Exchange of Bonds

The 2003 Bonds and the 2008 Bonds have been issued, and the 2012 Bonds will be issued, only in Book Entry Form unless and until the Book Entry System is discontinued. In such event, the following provisions would apply.

The Trustee is appointed, and accepts its appointment as, (i) the bond registrar of the State for the purpose of registering, transferring, exchanging and replacing Bonds and (ii) the paying agent for all Bonds. The Trustee agrees to keep the Registration Books. At reasonable times and under reasonable regulations established by the Trustee, the Registration Books may be inspected and copied by the State or the Registered Owner(s) of 25% or more in principal amount of the Bonds then Outstanding or a designated representative of any of them, the ownership and the authority of any designated representative to be evidenced to the satisfaction of the Trustee.

Any Bond may be transferred upon its presentation at the Designated Trust Office of the Trustee if it has been duly endorsed for transfer or is accompanied by a written instrument of transfer satisfactory to the Trustee which has been executed by the Registered Owner. The Trustee will transfer any Bond so presented by making an appropriate entry in the Registration Books and delivering to the transferee(s) one or more new Bonds which have been executed by the State, have been authenticated by the Trustee, are in an authorized denomination and have the same form, terms, interest rate, maturity and aggregate principal amount and are of the same Series as the Bond being transferred.

Bonds of a Series may be exchanged for Bonds of the same Series by surrendering the Bonds to be exchanged at the Designated Trust Office of the Trustee. The Trustee will exchange any Bond so presented by making an appropriate entry in the Registration Books and delivering to the Registered Owner presenting the Bonds for exchange one or more new Bonds which have been executed by the State, have been authenticated by the Trustee, are in an authorized denomination and have the same form, terms, interest rate, maturity and aggregate principal amount as the Bond being exchanged.

The Registered Owner requesting any transfer or exchange of any Bonds must pay, as a condition to the transfer or exchange, any resulting tax or other governmental charge but may not otherwise be charged for an exchange or transfer.

The Trustee is not required to register, transfer, exchange or replace any Bonds (i) during the 10-day period immediately preceding the first mailing or publication of a notice of redemption with respect to any Bonds of such maturity and Series or (ii) after a Bond has been called for redemption.

Registered Owners Treated as Owners

Except as the Indenture or a Supplemental Indenture may otherwise provide with respect to a Credit Issuer as described under "Certain Rights of Credit Issuers" in this APPENDIX B, the State and the Trustee may treat the Registered Owner of any Bond as its absolute owner (whether or not the Bond is overdue) for all purposes. Neither the State nor the Trustee is affected by any notice to the contrary.

Multi-Modal Provisions

The Indenture provides that Variable Rate Bonds may be issued in a form that allows for the interest rate to be converted among a variety of interest rate modes (that is, the manner and frequency of determination of the interest rate), and may provide for optional and mandatory tender of those Bonds by the Owners for purchase in certain circumstances, including upon conversion from one such interest rate mode to another. Certain interest rate modes would require the delivery of a liquidity facility to provide a source of payment of the tender price in connection with any such option or mandatory tender for purchase.

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, 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, any Bonds executed, authenticated and delivered under the Indenture and all of its proceedings relating to the issuance of the Bonds. The State further represents, warrants and covenants that it is duly authorized under the Constitution and laws of the State, including without limitation the Act, by and through the Department, 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 for the issuance of the Bonds and the execution and delivery of the Indenture have been effectively taken and the Bonds in the hands of the Registered Owners, the Swap Payment Obligations and Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department according to the terms of the Indenture, the Bonds (where applicable) and the 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 or directors of the Department 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 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 (beginning with 2006) includes the Annual Appropriation Amount relating to such Bonds, Swap Payment Obligations and Credit Facility Payment Obligations in that Fiscal Year;

(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 exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, whereby the Secretary establishes a priority schedule for payments, the Secretary 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 certify that the Secretary has performed his obligations under the Indenture described above under clause (a) of "General Covenants; *Budget Process and Appropriations*" in this APPENDIX B and that no event described above in clause (b), (c), or (e) under "General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "General Covenants; *Budget Process and Appropriations*" in this APPENDIX B, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Purchaser, each Rating Agency, each Swap Provider and each Credit Issuer, in the event that the Secretary fails to include in the budget requests prepared under section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount relating to the Bonds, Swap Payment Obligations and Credit Facility Payment Obligations in that Fiscal Year;

(b) Upon receipt of the notice described in clause (c) above under "General Covenants; *Budget Process and Appropriations*" in this APPENDIX B, or 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, 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

(c) Upon receipt of the notice described in clause (e) above under "General Covenants; *Budget Process and Appropriations*" in this APPENDIX B, or 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, 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, with the Registered Owners, with the Swap Providers and with 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

Establishment of Funds and Certain Accounts

The Indenture creates and establishes with the Trustee the following funds:

(1) the Appropriations Fund,

(2) the Operating Expense Fund,

(3) the Debt Service Fund,

(4) the Subordinated Payment Obligations Fund, and

(5) the Stabilization Fund.

The Indenture also 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 thereto. 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, and 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 thirty 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 amounts appropriated thereby.

No later than thirty 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 each 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 Indenture 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 "Appropriated Funds and Funds and Accounts; *Use of Monies in the Stabilization Fund*" in this APPENDIX B.

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 in the Indenture below indicated with respect thereto:

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, beginning May 1, 2009, 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:

(a) 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.

(b) 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 thirty days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

(c) The Principal Installment of such Bonds due on such Payment Date and shall cause the same to be applied to the payment of the Principal Installment of such Bonds when due.

(d) 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 in "Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in Appropriations Fund*" in this APPENDIX B), 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 which 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.

If an amount at least equal to the Annual Appropriation Amount has been appropriated pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, then 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.

(e) 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 the 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 defeased; 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 "Discharge of Indenture" below.

(f) 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 "Defaults and Remedies; *Application of Funds*" in this APPENDIX B 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 its 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 (c) 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) of the Fiscal Year, the State may, at its option, 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 "Discharge of Indenture" in this APPENDIX B 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.

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:

(a) 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,

(b) will be held by or under the control of the Trustee,

(c) 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,

(d) 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

(e) 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, 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 rate is not then known) 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 rate 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 to the Trustee 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 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 (a) through (g) above, the Trustee is authorized and directed to:

(1) execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the Indenture, and

(2) assign and deliver to the Department any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, 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, premium, if any, and interest on Bonds will be applied to and used solely for the payment of the principal of, 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, 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 securities 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:

(a) 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;

(b) 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;

(c) 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

(d) 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 thirty-day period, the Trustee may grant an extension of the thirty-day period if the State institutes corrective action within that thirty-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 which is given or which 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 Bonds covered by the applicable Bond Insurance Policy 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 "Certain Rights of Credit Issuers" in this APPENDIX B.

The directions of the Owners of Bonds are to be: (i) 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, (ii) in accordance with law and the provisions of the Indenture, and (iii) accompanied with 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, subject to the provisions of the Indenture relating to Credit Facilities, 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.

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.

THIRD: Subject to the provisions of the Indenture described in "Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund*" in this APPENDIX B, 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 an 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 any other remedy, unless

(a) 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,

(b) 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,

(c) the Trustee has been offered indemnity as provided in the Indenture and

(d) 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, 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

Subject to the provisions of the Indenture relating to Credit Facilities, 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, 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, premium, if any, or interest on any Bond unless prior to the waiver all arrears of principal, 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

Acceptance of the Trusts

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

Trustee's Expenses and Indemnification

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, premium, if any, and interest on any Bond, any Swap Payment Obligation and any Credit Facility Payment Obligations 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.

Notice to Owners of Bonds if an Event of Default or an Event of Nonappropriation Occurs

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.

Intervention by Trustee

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 (i) into which the Trustee may be converted or merged, (ii) with which the Trustee may be consolidated, (iii) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole or (iv) 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 (i) 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 (ii) 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 $10,000,000 or having assets under administration of not less than $200,000,000 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 Act.

Concerning Any Successor Trustee; Successor Trustee as Trustee of Funds, Paying Agent and Registrar

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, premium, if any, and interest on the Bonds and the successor Trustee becomes the Trustee, the bond registrar and paying agent.

Trust Estate May Be Vested in Separate or Co-Trustee

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

Subject to the provisions of the Indenture relating to Credit Facilities, 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:

(a) provide for the issuance of Additional Bonds;

(b) cure any ambiguity or formal defect or omission in the Indenture;

(c) 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;

(d) subject to the Indenture additional revenues, properties or collateral; or

(e) 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 the Bondowners and Swap Providers

In addition to Supplemental Indentures described above under "Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers*" in this APPENDIX B, 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 (i) an extension of the stated maturity or 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 which would be affected by the action to be taken, (ii) 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 (iii) 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 which 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 sixty days or any longer period as is 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.

The Fourth Supplemental Indenture provides that the Owners of the 2012 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 under "Definitions of Certain Terms" in this APPENDIX B, 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 Bonds and certain of the 2008 Bonds are insured under respective Bond Insurance Policies issued by the Bond Insurer, which has been granted certain of the rights described above with respect to the respective Bonds.

Miscellaneous

Consent of Bondowners

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.

Notices

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.

Obligations Due on Saturdays, Sundays or Holidays.

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.

APPENDIX C
EXPECTED FORM OF BOND COUNSEL OPINION

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

November 29, 2012

Re: $251,555,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable) (the "Bonds")

We have acted as bond counsel to the State of Wisconsin **(State)** in connection with the issuance by the State of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. We have also examined the Bonds and find the same to be in proper form.

The Bonds are issued pursuant to section 16.527 of the Wisconsin Statutes, as amended **(Act)**, an authorizing certification of the Department of Administration of the State **(Department)** executed and delivered by its Secretary and dated October 29, 2012 **(Authorizing Certification)** and a Trust Indenture, dated as of December 1, 2003 (as supplemented and amended, the **Indenture**), between the State, acting by and through the Department, and Deutsche Bank Trust Company Americas, as trustee, as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, a Second Supplemental Trust Indenture, dated as of April 1, 2008, and a Third Supplemental Trust Indenture, dated as of June 1, 2008, and as supplemented by a Fourth Supplemental Trust Indenture, dated as of November 1, 2012, between the same parties **(Fourth Supplemental Indenture)**.

Regarding questions of fact material to our opinion, we have relied on the representations of the State contained in the Authorizing Certification, the Indenture and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The State has the valid right and lawful authority to enter into and perform its obligations under the Authorizing Certification and the Fourth Supplemental Indenture and to issue the Bonds.

2. The Authorizing Certification and the Fourth Supplemental Indenture have been duly authorized, executed and delivered by the State and are valid and binding obligations enforceable against the State.

3. The Bonds have been authorized, executed, issued and delivered in accordance with law, the Authorizing Certification and the Indenture. The Bonds are valid and binding limited obligations of the State payable as provided in the Indenture solely from amounts appropriated by law for such payment.

4. The Bonds do not constitute a debt of the State for constitutional purposes nor do they constitute the giving or lending of credit of the State, and the State shall not be generally liable on the Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

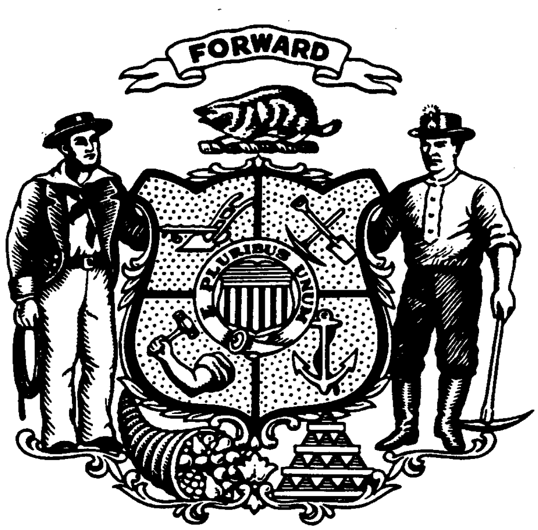
5. The interest on the Bonds is included for federal income tax purposes in the gross income of the owners of the Bonds. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Authorizing Certification and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement or other offering material relating to the Bonds or regarding the perfection or priority of the lien on the funds and accounts created by the Indenture.

In order to comply with Treasury Circular 230, we are required to inform you that unless we have specifically stated to the contrary in writing, any advice contained in this opinion concerning tax issues or submissions is not intended to be used, and cannot be used, by the taxpayer for the purpose of avoiding any tax penalties that may be imposed upon the taxpayer by any governmental taxing authority or agency.

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


FORWARD
E PLURIBUS UNUM